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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY OCTOBER 12 1992 — D8523A

Shooting erupts over Angolan elections

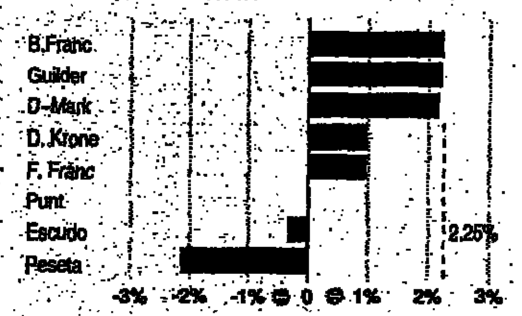
Heavy shooting erupted in the Angolan capital Luanda as tension mounted between anti-riot police and armed soldiers of Unita, the rebel movement defeated in the country's first democratic elections two weeks ago.

The shooting caused panic in the city centre and raised fears of a violent showdown between the government and Unita, which has alleged that the elections were fraudulent. At least two civilians were killed. Page 14

Serbs defy 'no-fly' ruling: Serb military aircraft defied a United Nations ban on military flights over Bosnia. Page 14

UK and the ERM: A quarter of the UK's top institutional fund managers believe the UK will never return to the European exchange rate mechanism. Page 14; Editorial Comment, Page 12

European Monetary System: Speculation that the Bundesbank will cut official interest rates helped to ease tensions in the European exchange rate mechanism grid last week. The French franc, arguably the best barometer of the stability of the grid's core currencies, ended at FFr3.388, although it continues to be protected by France's high interest rates. Pressure on the weakest three currencies, the punt, escudo and peseta remained strong, with all three currencies close to their ERM floors against the D-Mark. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

US rate cuts: The US Federal Reserve has not ruled out further cuts in interest rates before the US presidential election on November 3, according to Alan Greenspan, the Fed chairman. He said politics would not stop another easing of rates if required on economic grounds. Page 2

Iraq frees American: The American arrested by Iraqi security forces on the disputed Kuwaiti border returned to Kuwait. Iraq told Sweden it would reconsider the cases of three Swedes jailed for illegally entering the country.

Palestinian hunger strike ends: Palestinian prisoners ended their two-week-old hunger strike which triggered a wave of unrest in the occupied territories, according to the Israeli police ministry. Palestinians call off hunger strike, Page 6

Radioactive alert: Two containers housing highly radioactive caesium and strontium were seized by German officials, who said that 20kg of bomb-grade uranium was still missing. The containers appeared to originate from stores in the former Soviet Union.

El Al crash mourners:

Thousands of mourners visited the site of the *El Al cargo Boeing* 747 crash in an Amsterdam suburb, one week after the disaster. Officials now estimate that 75 people died, but say the exact number may never be known as up to 30 per cent of the victims may have been entirely consumed by the fire. Meanwhile, investigators have found fragments which may be part of a second engine from the jet.

Dan-Air rescue talks: Talks between Richard Branson, chairman of Virgin Atlantic, and troubled UK independent carrier Dan-Air are expected to reach a crisis point during the next 48 hours amid signs that another group has emerged as a potential rescuer. Page 15

Turkey in Arab electricity link: Turkey, Syria, Jordan, Iraq and Egypt approved a multi-million dollar plan to link their electricity networks by 1997. Page 6

ANC leader killed: A regional leader of the African National Congress and three youths were killed near Johannesburg when gunmen opened fire on their car.

Faldo wins: The UK's Nick Faldo defeated Jeff Sluman of the US 8 and 7 to win the World Match Play golf championship at Wentworth in southern England.

Columbus anniversary: Pope John Paul, in the Dominican Republic, praised Christopher Columbus for bringing Christianity to the New World, but lamented that native Americans were still suffering 500 years later. In Genoa, birthplace of Columbus, 20,000 people marched through the city to protest at celebrations to mark the 500th anniversary of his landfall in America. Observer, Page 13

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs25	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Peo45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Bitter prelude to US presidential debate

By Jurek Martin in Washington

THE BITTER war of words between the campaigns of President George Bush and Governor Bill Clinton continued yesterday as their candidates and Mr Ross Perot, the other contender, prepared for last night's critical first televised presidential debate.

Mr Charles Black, a senior adviser to Mr Bush, charged in a television interview that *Mr Clinton* "must meet a threshold level of trust, which he has not passed yet". He insisted that Mr Clinton's 1970 trip to Moscow raised "a legitimate question" about the Democratic candidate's judgment. In another interview yesterday, Ms Lynn Martin, the labour secretary, did likewise.

Mr James Carville, Mr Clinton's chief political strategist, asserted on the same programme that Americans found "a little silly" Mr Bush's questioning of his opponent's patriotism. "It was 23 years ago. Who remembers? *Let's get on with what's wrong with the country and the economy*," he said.

Mr George Stephanopoulos, the Democrat's communications director, again raised Mr Bush's involvement with the Iran-Contra scandals and with the courting of Iraq before the invasion of Kuwait as evidence that could be used against Mr Bush's "judgment". He drew particular attention to the latest revelations in the BNL affair.

Last night's debate might be a pivotal moment in the campaign. It constitutes probably the president's last opportunity to cut into Mr Clinton's appreciable lead in all the public opinion polls, which continue to suggest that the sharply negative turn in Republican campaigning is having no impact on voter sentiment.

A national poll out this weekend by Newsweek gave Mr Clinton 44 per cent, Mr Bush 35 per cent and Mr Perot 12 per cent. This survey, virtually unchanged in its overall numbers from last week's, has of late consistently given Mr Clinton a smaller lead than others, which are now mostly in the 14-16 points range.

Two polls in key swing states told a similar story. In Georgia, which Mr Bush carried by 19 points in 1988, Mr Clinton was ahead by 44-38-7. In Michigan, another comfortable Republican victory four years ago, the split was 50-31-8.

The Washington Post endorsed Mr Clinton in an editorial yesterday. Its preference was not surprising, but its language towards Mr Bush was conspicuously harsh.

"The choice for president this time around is easy," the editorial began. "The country is drifting and worn down; it badly needs to be re-energised and

Continued on Page 14

France threatens summit boycott over trade row

By Lionel Barber and David Dodwell in Brussels and David Gardner in Dublin

FRANCE has threatened to boycott this week's emergency European Community summit in Birmingham if the EC makes concessions to the US on subsidised farm trade in negotiations which opened in Brussels yesterday.

The French threat risks derailing the finely balanced talks, seen as the last chance this year to settle a two-year farm trade dispute which has stalled plans – the so-called Gatt Uruguay Round – to liberalise world trade.

Last night Mr Roland Dumas, the French foreign minister, said on regional television: "We are much too far from the goal," adding that France wanted an accord "but not to the detriment of its vital interests".

EC officials were told last week that French president François Mitterrand would refuse to attend the Birmingham summit if he was put under pressure to *endorse concessions in the Uruguay Round* that were unacceptable to his government.

The message was delivered by Mr Jean-Pierre Soisson, the French farm minister, during talks in Brussels with Mr Jacques Delors, European Commission president, and Mr Frans Andriessen, the Dutch commissioner responsible for external affairs. Mr Soisson also warned of a farmers' revolt if new concessions were made, according to several EC officials.

Mr Ray MacSharry, EC agriculture commissioner, offered France assurances before yesterday's meeting that any agreement would require consensus within the Community, even though Paris technically cannot veto a deal. "It is not a matter of out-voting the French," he said.

Until today's resumption of the talks – which could continue tomorrow – both sides are saying nothing on the detail of the negotiations. Mr MacSharry merely said: "We are looking at different formulas." "Everyone is very conscious of the situation in France at the moment," said one official. "The French farm minister has been making it plain in Brussels how difficult it is going to be to achieve support in France for the kind of Uruguay Round deal that negotiators are currently talking about."

A French boycott of Birmingham would sink hopes of presenting a much-needed display of EC unity after the recent monetary *and political crisis in Europe*.

French fears have risen in response to signals that President George Bush is anxious to seal a deal in order to bolster his faltering re-election campaign. Likewise, US farm lobbies last week warned that the administration was on the brink of a "sell-out".

Yesterday's Brussels talks, held amid very tight secrecy, included Mrs Carla Hills, special US trade representative, Mr Andriessen, Mr MacSharry, and Mr Ed Madigan, the US agriculture secretary.

First to meet were Mrs Hills and Mr Andriessen. Apart from farm trade, it was expected they would discuss obstacles to settlement of the Uruguay Round – principally disputes over multilateral tariff cuts and liberalisation of world trade in services.

Progress on farm talks has been blocked on two critical issues:

- The EC's refusal to accept a 24 per cent cut in the volume of subsidised farm exports in addition to a 36 per cent cut in their value.
- EC insistence that compensation to European farmers for price cuts agreed in May's reform of the Common Agriculture Policy should not be regarded as subsidies. The proposed Uruguay Round agreement demands a 20 per cent cut in domestic farm subsidies over six years.

A number of simmering trade disputes – held in abeyance *while talks continue* – are poised to erupt if a Uruguay Round agreement is further delayed.

Stiff defence planned, Page 2
Hopes on subsidiarity, Page 12

Sole candidate: Georgian leader Eduard Shevardnadze casts his vote in yesterday's parliamentary elections Story, Page 3

FBI asked to probe Iraqi loans cover-up

By Alan Friedman in New York

THE Federal Bureau of Investigation has launched an investigation into possible misconduct by senior Bush administration officials. The probe follows admissions that US intelligence information about $5bn of militarily useful loans to Iraq was deliberately concealed from a federal court.

These loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro, have been at the centre of a long-running scandal in which the Bush administration has been accused in Congress of covering up its own knowledge and involvement in the illegal financial transactions.

Late last week Central Intelligence Agency and Department of Justice officials admitted in closed Senate testimony that intelligence reports on BNL had been withheld from a US court.

The FBI probe, requested by Mr William Barr, the US attorney-general, came as officials of the CIA and Department of Justice engaged in an unusual slanging match about which agency had acted to withhold CIA reports from Judge Marvin Shoob, the federal judge who has presided over the BNL case.

The fracas, coming on the eve of last night's first televised debate between President George Bush and presidential candidates Governor Bill Clinton and Mr Ross Perot, was especially embarrassing for the Bush administration as it threatened to bring the BNL Iraqi loans scandal to the forefront of the election campaign.

Mr Dan Levin, a Justice Department spokesman, said yesterday the FBI probe would investigate whether information had been withheld and whether there had been any misconduct by senior Bush administration officials.

A substantial part of the BNL loans, including some guaranteed by the US government, financed Iraqi nuclear, chemical weapons and ballistic missile projects.

Mr Barr had previously rejected a formal request from the House judiciary committee that he appoint a special prosecutor to investigate possible

Continued on Page 14

Currency crisis could have been avoided, says Ciampi

By Robert Graham in Rome and David Marsh in London

THE CRISIS on European foreign exchanges could have been avoided if EC members had accepted a German-Italian proposal for a general currency realignment last month, according to Mr Carlo Azeglio Ciampi, governor of the Bank of Italy.

Mr Ciampi's comments, in an interview with the Financial Times, seem likely to spark fresh *controversy over* the circumstances surrounding the lira's devaluation on the weekend of September 12-13.

In particular, the statement may raise questions about Britain's refusal to devalue sterling after Mr Norman Lamont, UK chancellor of the exchequer, had held a meeting at the Treasury with his top monetary officials on Sunday, September 13.

Three days later, on "Black Wednesday" – September 16 – Britain was forced to suspend its membership of the exchange rate mechanism after heavy international selling forced sterling below its D-Mark floor.

Mr Ciampi made clear that he was not directing his remarks against any particular *EC member*. But he implied that Britain, as well as other weaker currency countries, should have joined in the Italian devaluation a month ago, as a means of defusing tension in the ERM.

He suggested that, if other countries had devalued along with the lira, the Bundesbank would have increased the scale of its interest rate cuts – decided in principle on Saturday, September 12 and publicly announced after a meeting of the Bundesbank council on September 14.

"The crisis which emerged last *month could have been avoided if* the member states had grasped the opportunity provided by the *German and Italian proposal of* September 12 for a general realignment, within the bounds set by an appreciation of the D-Mark and an equal depreciation of the lira, coupled with a decrease in interest rates in Germany," Mr Ciampi said.

"Unfortunately, the realignment was limited to the lira/D-Mark exchange rate, so that the accompanying reduction in German rates was only small. This left plenty of scope for the market to mount further speculative attacks against other currencies."

The British government has denied receiving a request to join in any devaluation as part of the ERM realignment deal worked out by Italy and Germany. Brit*ish officials reject the view that* an Italian-German "proposal" for a wider realignment was on offer that weekend.

However, it has emerged that, during the September 13 meeting at the UK Treasury, British officials briefly broached the possibility that sterling could join in the Italian devaluation.

The issue was raised at the meeting by Sir Terry Burns, permanent secretary at the Treasury, as an option, according to UK officials. Any likelihood that sterling would follow the lira by devaluing was, however, immediately *scotched by Mr Lamont*.

The Treasury meeting came about 12 hours after the British *government had first heard of the* Italian-German plan, in a series of telephone calls. Mr Ciampi felt this was probably not the best way to persuade other ERM members of the merits of a general realignment.

UK officials say the lira devaluation, including the accompanying Bundesbank interest rate cuts, was presented as a fait accompli on Saturday evening. Significantly, details of the Bundesbank's cuts – a ¼ point reduction in the Lombard rate, and ½ point declines in the Bundesbank's discount rate and the key money market dealing rate – were communicated to EC members that evening.

One senior UK official said the *Italian-German deal was* "stitched up before anyone else was given information about it".

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Federal Reserve chairman says election-year politics will not prevent an easing, if needed

Greenspan refuses to rule out US rate cut

By Michael Prowse in Washington

THE Federal Reserve has not ruled out further cuts in interest rates before the US presidential election on November 3, according to Mr Alan Greenspan, the Fed chairman.

In a rare press conference, Mr Greenspan said election-year politics would not prevent another easing of rates if this were needed on economic grounds. "Obviously, if further actions are needed, the Fed will do so," he said. "If not, not."

Mr Greenspan said it would be "irresponsible" for the Fed to "abstain from actions largely or solely because there is an election and campaign under way".

His remarks seemed intended to reassure financial markets, which ended last week in an apprehensive mood after a widely expected cut in short-term rates failed to materialise. On Friday the Dow Jones index fell almost 40 points to close at its lowest level this year. The yield on 30-year bonds rose above 7.5 per cent for the first time in several weeks.

Markets had expected the Fed to act after a string of weak economic figures – including fresh falls in employment – seemed to indicate the fragile US recovery was again losing momentum. On Friday markets were further unsettled by a Financial Times report indicating the Fed probably would not cut rates again before the election as evidence of a slowdown was, according to a senior Fed official, "inconclusive".

After a weekend meeting of top US executives at Hot Springs, Virginia, Mr Greenspan said he was concerned by the sluggish economy. "It's clear we still have growth but it's also clear it's not accelerating at this stage."

However, he left his interest rate options open by referring to an "incredible degree of uncertainty" about the economic outlook. The Fed was watching closely to see whether consumers and businesses would spend more freely after a lengthy period paying off debts.

Just-published minutes of an August 18 meeting of the Federal Reserve Open Market Committee (FOMC), the top policy-making body, show that a majority of the committee favoured giving Mr Greenspan discretion to cut short-term rates by up to half a point. However, Mr John LeWare, a governor, and Mr Thomas Melzer, president of the St Louis Fed, both opposed a bias towards further easing of monetary policy.

Mr Greenspan opted for a quarter point cut to 3 per cent on September 4.

The minutes show that the Fed expected the economy to expand at a "subdued rate". Minutes from last Tuesday's FOMC meeting will not be released for six weeks.

If the Fed does opt to cut interest rates again it is likely to lower the discount rate by half a point to 2.5 per cent. This would be accompanied by a quarter or half point cut in the federal funds rate – the cost of overnight money for banks.

EC officials plan stiff defence of policy powers

By Lionel Barber in Brussels

THE European Commission will today mount a vigorous defence of its powers to draft Community policy, striking back at critics before Friday's EC summit in Birmingham.

In a high-level meeting in Brussels, senior Commission officials will finalise a paper on "subsidiarity" – the principle of devolving powers to the lowest appropriate level, which EC governments believe is vital to recapture public support for the Maastricht treaty.

Mr Jacques Delors, European Commission president, presented an outline of the paper during talks with Mr Douglas Hurd, British foreign secretary, on Saturday. Both sides described the talks as helpful in the UK-led effort to prepare a political declaration on subsidiarity at the Birmingham summit.

In its paper, the Commission is expected to propose limited reforms in order to counter charges that it is a remote, overcentralised bureaucracy.

The reforms are likely to include a pledge to consult member states fully before proposing policy directives, as well as an explanation of why Brussels believes an EC-wide directive is necessary.

The Commission is also likely to argue that no single area of Commission competence should be targeted for attack; and that its power to be solely responsible for drafting legislation must be left intact.

As EC president, the UK is leading intense diplomatic efforts to forge an EC consensus on subsidiarity to help secure early ratification of the Maastricht treaty, both in Britain and ahead of a likely second referendum in Denmark.

British officials said yesterday the summit in Birmingham would focus on "the way things are done", but an agreement on the general criteria for subsidiarity might have to wait until the Edinburgh summit in December.

Other states, notably France, are resisting efforts to draw up a list of areas or subjects to be covered by subsidiarity criteria.

Another reform gaining ground is for the Council of Ministers to conduct some of its business in public, to promote greater transparency in EC decision-making.

However, a suggestion by Mr John Major, UK prime minister, that EC leaders should each deliver a five-minute speech in public on the future of the EC has met a cool reception from European leaders.

Uffe Ellemann-Jensen: must lay down clear rules

Danes seek 'substantial' alterations to treaty

THE Danish government yesterday said it would not submit the Maastricht treaty to a second referendum unless it offered "substantial changes" which took account of the concerns expressed by Danish voters when they rejected the treaty last June, write Robert Mauthner, Diplomatic Editor, and Hilary Barnes in Copenhagen.

"We will not hold a second referendum on the same basis as before. I'm not going to present the Danish voters with the same question, dressed up in some fancy clothes," Mr Uffe Ellemann-Jensen said in an interview with Mr Brian Walden of London Weekend Television.

Although the Danish foreign minister did not call for formal amendments to the text, he stressed his government was looking for "clarifications" of matters of vital interest to Denmark which were already in the treaty.

In particular, Denmark, in common with other member states such as Britain and Germany, wanted clarification of "subsidiarity," the principle that decisions should only be taken by European Community institutions if their objectives could not be as effectively achieved by national governments.

"You have to put flesh and blood on what is only a principle in the treaty. We will have to lay down clear rules on how decisions are taken."

The minister, who was speaking two days after his government had published a white paper containing eight possible options which Denmark and its partners could pursue to overcome the obstacles to ratification of the Maastricht treaty, also said Denmark wanted some "special deals" on specific issues.

Although he denied Denmark wanted to exclude sensitive matters such as defence, education and health from the treaty, it wanted the principle of subsidiarity to be applied to them in the form of opt-out clauses, of the kind obtained by the UK for the social chapter of the treaty.

Another important issue on which Denmark wanted to reserve the right to opt out was adoption of a single Community currency.

Meanwhile, Mr Poul Nyrup Rasmussen, leader of the Danish opposition Social Democratic party (SDP), has tightened his party's conditions for supporting special arrangements between Denmark and the other 11 EC members.

At a meeting of European Socialist parties in Brussels at the weekend he stressed any special arrangements must have a legally binding status.

Mr Rasmussen rejected the suggestion that Danish ratification of the treaty should be subjected to a time limit and said his party demanded exemption from any participation in an EC defence policy. Ratification with a time limit, enabling Denmark to withdraw from the treaty if developments were regarded as incompatible with Danish interests, was one of the options suggested in the government's white paper.

Other special arrangements which the SDP is calling for include exemption from participation in economic and monetary union, particularly the common currency, and union citizenship.

The SDP, as the largest party in the eight-party parliament, will have no less influence over the policy which Denmark adopts in negotiations with the other EC member governments this winter than the minority Conservative-Liberal coalition government.

Mr Rasmussen's demand that special arrangements must be legally binding could well increase the difficulty of arriving at an accord with the other EC governments, as well as complicating the process of arriving at an agreed Danish position for the negotiations.

Foreign groups to keep up California tax fight

By Louise Kehoe in San Francisco

BARCLAYS BANK of the UK and other foreign companies with operations in California are to continue their eight-year legal challenge against the state's "unitary tax" method, despite a decision by the US Supreme Court not to take up the case.

Unitary tax is calculated on the basis of a company's worldwide earnings and taxes a portion of them according to the percentage of activity in the state. A company that has 10 per cent of its world sales, property and payroll in California, for example, would be taxed on 10 per cent of its worldwide profits even if the California operation makes no profit. Most other states and the US government base such taxes on a percentage of profits reported within their borders.

Barclays Bank, with the support of other multinational corporations and several foreign governments, filed a suit eight years ago charging that the California tax assessment system was unconstitutional as it interfered with the US federal government's ability to conduct foreign policy.

"The Supreme Court decision is a disappointment," said Ms Joanne Garvey, a San Francisco attorney acting for Barclays. But the fight would continue in the California state court system where a decision was pending on another element of the dispute, she said.

At issue is $792m in taxes paid up to 1988, when California relaxed its unitary tax rules, offering foreign multinational companies an alternative tax assessment method based only on US operations. Barclays, on behalf of all foreign multinationals, is seeking a refund.

The California Supreme Court had referred back to the state Appeals Court the issue of whether calculating unitary tax placed an unfair burden on foreign multinationals, Ms Garvey said.

Barclays' challenge was presented to the country's chief justices after it was rejected by the California Supreme Court in May. Last week they decided unanimously not to reconsider the state court's decision.

Ford adds to plant at Bordeaux

FORD is to invest FFr402m ($84.1m) in a new gearbox assembly facility at its transmission plant at Bordeaux, France, writes Kevin Done, Motor Industry Correspondent.

The manual transmissions will be fitted with the planned Sigma small-engine range, in which the US car maker is investing more than $1bn (£570m). The four-cylinder, 16-valve Sigma engines will be built at Ford's engine and car assembly plant at Valencia, Spain, and will be fitted in the Fiesta and lower end of the Escort car ranges from 1995.

Ford said it was planning to assemble up to 650,000 of the new transmissions a year.

The Bordeaux plant builds transaxles for the current Fiesta and Escort ranges as well as automatic transmissions.

Surge in over-counter healthcare sales seen

By Paul Abrahams

EUROPEAN sales of over-the-counter (OTC) healthcare products are set to rise by more than 15 per cent a year between 1990 and 1995, making it one of the fastest growing retail sectors.

The increase will be partly driven by Europe's ageing population, which will require more medicines, according to a report by Euromonitor, the London-based market research company.

However, growth is also likely to be fuelled by EC governments switching increasing numbers of prescription products – which are reimbursed by the state – to OTC status. Since patients pay for OTC products, many health ministries are adopting this strategy to control growing expenditure.

The fastest expanding OTC market will be France, with 28 per cent growth projected over the five years to 1995, followed by Germany with 17 per cent. Both countries are expected to switch the largest number of products to OTC status.

The report argues that the OTC monopoly held by pharmacies in EC markets such as France, Belgium, Italy and Spain is being eroded by mass market outlets such as drugstores and supermarkets.

European Commission measures to standardise sales of OTC products are likely to be long and painful, it argues. European-wide mass distribution of OTC products, as exists in the UK with groups such as Boots the Chemist, is not on the horizon, it suggests.

Pharmacy Distribution in Europe to 1995. Euromonitor, £450. Tel: (071) 251 8024.

Amsterdam mourns air crash dead

THOUSANDS of people filed silently past the site of the Netherlands' worst air disaster yesterday as Amsterdam mourned the 75 people killed when an El Al jet smashed into blocks of flats in the Bijlmermeer suburb a week ago, Reuter reports from Amsterdam.

A bugler sounded The Last Post in pouring rain as Mr Ed van Thijn, the city's mayor, laid a wreath some 50 metres from the point where the Israeli jet left a huge hole in the two adjoining 10-storey blocks.

Some of the bereaved among the estimated 10,000 present fainted and had to be helped to their feet.

"I lost two sisters and two children. They found one of my sisters and jewellery belonging to the other. They didn't find the children's bodies," said a 20-year-old Surinamese woman as she gazed blankly at the proceedings.

Andalucia left to nurse a post-Expo hangover

Tom Burns on the likely regional impact of the world fair's closure

THE Seville Expo '92 winds up today after receiving more than 40m visitors over the past six months.

As the red carpet is unfurled for the last time for King Juan Carlos, the frequent Expo visitor who will preside over an extravagant closing ceremony, the immediate question is what Spain has achieved after investing about $2bn in the biggest world fair to date.

As Expo's promotors tell it, just about everything involved with the exhibition deserves to be consigned to the Guinness Book of Records. There were more national and corporate pavilions, at 98, than at any other similar event and the exhibition grounds boasted the biggest car park, for 40,000 vehicles, anywhere.

They even say, although the figures are disputed, that Expo, managed by a public company expressely created for the purpose, will break even. It is hoped the books will be balanced by the resale of Expo's buildings to a second ad-hoc public company designed to create a research and development park on the fair's site.

What is left for Spain, and for Seville, after the party is over is more difficult to assess. The fate of Spain's first bullet train in the coming months might serve as an indicator.

The high-speed train links Madrid and Seville and cuts rail travel time between the two cities by more than half, to about two hours 40 minutes. It was inaugurated just in time for Expo's opening in April and has operated at full capacity for the past six months.

The problem is that up to three-quarters of the passengers boarding the train were travelling to Expo. Now the show is over the biggest engineering project undertaken in Spain is almost certain to incur considerable losses. There is little money left to build a more economically rational high-speed link between Madrid and Barcelona.

Seville was the 16th century boom town that grew fat on the gold and silver brought back by those who followed Columbus to the New World. It declined sharply when it lost its monopoly trading status and is now the capital of Spain's southern belt of Andalucia, where per capita GDP stands at less than 60 per cent of the European Community's average.

Mr Emilio Casinello, who is tipped to be Spain's next ambassador to London and has been Expo's tireless commissioner general, claims the isolation of Seville and Andalucia is a thing of the past. "There is no possibility of a Spanish Mezzogiorno like in Italy now," he says. "There can be no dissection between the north and south."

He was referring to the billions of dollars that have been pumped into the south in the form of roads, telecommunications, overhauled airports – and the high-speed train.

Mr Jacinto Pellon, Expo's chief executive, says: "We have laid out the land and we have planted the seeds. It is now up to Seville and Andalucia to provide irrigation."

However, the economic climate is not conducive to nurturing Expo's fruits. And nobody now talks of Andalucia as the California of the United States of Europe, as they did when work began on Expo in the booming 1980s.

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Referendum in Serbia

Voters hold key to UN sanctions

By Laura Silber in Belgrade

SERBS yesterday voted in a referendum on whether to hold early elections – the outcome of which will play an important role in determining whether United Nations sanctions against Yugoslavia will be lifted.

Confusion yesterday appeared to grip Belgrade, the Serbian capital, because many people were uncertain whether to vote in the snap referendum called by Serbia's ruling Socialists under the control of Serbia's President Slobodan Milosevic.

Mr Milan Panic, the Yugoslav federal prime minister, and Mr Dobrica Cosic, the president of Yugoslavia, both favour early elections to get rid of Mr Milosevic, who is seen by the international community as most responsible for the war in Bosnia. The ousting of Mr Milosevic is seen as essential for lifting UN sanctions.

Yesterday Mr Andrei Kozyrev, Russia's foreign minister, and peace negotiators Mrs Cyrus Vance and Lord Owen said in Moscow that UN sanctions could be lifted if Mr Panic gained the upper hand against hardline Serbs. They also indicated sanctions might be eased to help people survive the winter.

If the referendum fails, Mr Milosevic could remain in office for three more years. It would be a blow to Mr Panic and Mr Cosic who have pledged to get UN sanctions lifted and democratise Serbia.

The Socialists called the referendum in the belief it would fail and enable them to remain in power at a time when the Serbian economy is collapsing under the strain of war and sanctions, which include an oil embargo. The rules require a majority of registered voters to vote Yes. It was unlikely more than 3.5m people would vote Yes after Serbian television, under Mr Milosevic's control, had denied publicity to the referendum.

Ethnic Albanians, who make up 90 per cent of the 2.1m population of the southern province of Kosovo, yesterday ignored the ballot, heeding a boycott of Serbian institutions ordered by pro-independence Albanian leaders.

Turnout was reported to be moderate. Results are due to be announced tomorrow. Some 400,000 refugees, emigrés and Serbs in former Yugoslav republics are eligible to vote.

In a byzantine twist, a handful of leading Socialists appealed for people to a high turnout for the ballot as some Socialists are confident that they could win early elections. Mr Panic yesterday said that early elections would be held whatever the result.

Iliescu eyes poll victory in Romania

By Virginia Marsh, Bucharest

MR Ion Iliescu, Romania's president, looked to be heading for re-election last night after early estimates indicated a good turnout throughout the country in yesterday's presidential election run-off.

Political analysts had believed Mr Emil Constantinescu, Mr Iliescu's opponent, could only score well if urban voters and especially the young, many of whom did not vote in the first round, turned out in higher numbers than rural voters.

Mr Iliescu, once a close aide to deposed dictator Nicolae Ceausescu, emerged a firm favourite after the first round of presidential voting on September 27 in which he won 47 per cent of the vote, 16 points more than Mr Constantinescu, his nearest rival.

He then outpolled Mr Constantinescu by 2-1 in the countryside where nearly half of Romania's 23m inhabitants live.

The president, who this time needs only a simple majority to secure a four-year second term, is also expected to pick up most of the 11 per cent polled by Mr Gheorghe Funar, a anti-Hungarian nationalist, who finished third in the first round of voting.

Mr Constantinescu, a university rector, refused to give up the fight in the two weeks following September 27 but received little support from the Democratic Convention (DC), the loose coalition of 18 reform-minded opposition parties which nominated him for president.

Georgian prisoners of war wait to be exchanged for Abkhazian prisoners in the town of Gudauda over the weekend

Shevardnadze set to win mandate

By John Lloyd in Moscow

MR Eduard Shevardnadze, the former Soviet foreign minister, was expected to win a legitimate mandate in yesterday's elections as Georgia's leader, together with backing for his attempt to retrieve territory lost to Abkhazian separatists in the north-west of the state.

Voting in the parliamentary elections in Georgia and for the post of parliamentary leader, for which Mr Shevardnadze, who led the Georgian Communist party until 1985, is the only candidate, went off generally peacefully in the republic yesterday. However towns in the autonomous republic of Abkhazia controlled by separatist forces and their north Caucasian allies boycotted the vote.

A heavy turnout was reported by the Central Election Commission in the capital of Tbilisi, with nearly half of the registered voters casting their votes by midday. In the Abkhazian capital of Sukhumi, controlled by Georgian forces but surrounded by Abkhazian forces, half of the vote was reported to have turned out by one o'clock.

No single party or bloc of parties is expected to control the post-election parliament, since polls report that the main blocs among more than 30 vying for seats all have support of about 12 to 15 per cent. Because of fears of electing a president who usurps effective power – as Mr Zviad Gamsakurdia, the previous elected president ousted last December, is held to have done – Mr Shevardnadze will be elected by the entire electorate and must find support within parliament, almost certainly by putting together a coalition of parties.

Mr Shevardnadze on Saturday pledged that he would recapture the areas of Abkhazia taken from Georgian troops earlier this month. Mr Tenghiz Khitovani, the Georgian defence minister yesterday blamed "treason" by commanders and servicemen in deserting their posts in Gagra, the northern town captured by Abkhazians.

Talks between Mr Shevardnadze and Mr Boris Yeltsin, the Russian president and Mr Vladislav Ardzimba, the Abkhazian leader were set for Tuesday – but there are now doubts that they can take place.

Bonn wants Gorbachev at Brandt service

By Quentin Peel in Bonn

BONN would like Mr Mikhail Gorbachev, the former Soviet leader, to attend the memorial service in Berlin for Mr Willy Brandt, the former German chancellor, in spite of a Russian ban on his leaving the country.

A government spokesman in Bonn confirmed the official attitude yesterday, but insisted that Chancellor Helmut Kohl had taken no initiative to persuade the Russian government to allow Mr Gorbachev to leave the country for the occasion.

Unofficial reports said the German chancellor was "greatly concerned" about the travel ban on the former Soviet leader, and had instructed his officials to do what they could to have it changed.

Bild am Sonntag, the mass-circulation Sunday newspaper, said Mr Kohl had told his staff: "We must do something. If he is not allowed to come, it would be a scandal."

The German Foreign Ministry declined to comment on the report yesterday, but a government spokesman said the government would welcome Mr Gorbachev's attendance at the memorial service for Mr Brandt, scheduled for next Saturday in Berlin.

He was unable to confirm whether Mr Gorbachev had already been officially invited.

The travel ban was imposed on Mr Gorbachev after he refused to give evidence before the Russian constitutional court into the activities of the Soviet Communist party.

'Neo-Nazis' attack immigrant hostels

SUSPECTED neo-Nazis hurled rocks and petrol bombs at four immigrant hostels in east Germany at the weekend, and 60 were detained in a raid on a "skinhead" meeting place, authorities said yesterday. Reuter reports from Magdeburg.

Police, in a pre-dawn raid on a Magdeburg tavern-restaurant known to be frequented by neo-Nazis, rounded up 60 "skinheads" and seized a range of crude weapons including clubs, knives and a pistol.

Police said two "skinheads" were being held on suspicion of beating to death a young left-wing man in a recent brawl at a youth centre. A third was in custody for several assaults and the rest were freed after identity checks.

Right-wingers, some masked, threw petrol bombs and rocks at hostels housing asylum-seekers in the towns of Grosraeschen, Teterow, Neubrandenburg and Malchin between Friday night and early yesterday morning.

Fires were put out by security guards and other damage was slight apart from broken windows. The assailants, who escaped, did not attempt to break into the hostels and no injuries were reported.

A "skinhead" gang stormed a cafe in Bornim near Potsdam early on Sunday, battering guests and furnishings with baseball bats. Five people, all Germans, were injured, with six of the neo-Nazis were detained. Other "skinheads" later scuffled with police in Potsdam.

Ten people have died this year in attacks by young right-wingers on foreign asylum-seekers and residents in Germany.

Violence hits Lyons again

VIOLENCE hit the troubled immigrant suburb of Vaulx-en-Velin, near the French city of Lyons, for the second successive night at the weekend, after police shot dead a teenager, Reuter reports.

Police said about 200 angry youths stoned a police station and burned a dozen cars on Saturday night. They were protesting over the killing of an 18-year-old Moroccan-born youth who tried to force his way through a police roadblock last Thursday.

After another stoning incident on Friday night, three youths fired with a sawn-off shotgun from a passing car at police guarding the station but caused no casualties. The incidents come two years after the first serious outbreak of urban rioting in France occurred in Vaulx-en-Velin by the killing of an immigrant youth.

Political worries fail to deter western investors

Companies are flocking to get brands established before their competitors, reports **David Marsh**

THE EUROPEAN MARKET

WESTERN multinational companies are maintaining the momentum of investment in eastern Europe and the former Soviet Union, in spite of increasing political anxieties in several countries. That is the main message emerging from a survey* carried out by Creditanstalt, the Austrian Bank, and Business International (now part of the Economist Intelligence Unit).

Western investors' problems in E. Europe

Weighted scores of responses

	Bulgaria	Czechoslovakia	Hungary	Poland	Romania	Ex USSR	Ex Yugoslavia
Finding a suitable partner	35	39	58	37	26	36	21
Political environment too volatile	40	40	15	38	54	75	80
Economic environment too uncertain	60	49	63	53	85	99	53
Legal system too ambiguous	32	37	38	40	26	72	18
Environmental liabilities	13	19	20	13	9	10	6
Restructuring costs too high	11	24	34	12	6	11	4

Source: Business International/Creditanstalt

More than half of investor respondents – 54 per cent – report they are increasing investments in the east European region. However, 17 per cent are lowering their initial investment levels, above all in the former Soviet Union and Yugoslavia. The main reasons for caution are economic and political uncertainties, as well as difficulties surrounding the legal systems in the former communist states.

Western businesses moving into eastern Europe are motivated above all by desire to establish market share and gain low-cost production sites. "Investors are flocking to eastern Europe to get their brands firmly entrenched ahead of their competitors," according to Mr René Gatling, author of the study.

The review of 87 companies which have invested in eastern Europe or which are considering this step shows the former Soviet Union is considered the most difficult area for establishing a foothold. "Cultural differences" with the west are cited as a particular reason for difficulties.

"For many western companies, taking the plunge into the Soviet market is a major risk," says Mr Gatling.

However, 52 per cent of respondents say they are still considering investments in the ex-Soviet republics, with only 22 per cent ruling this out for the moment.

A majority of corporations – 57 per cent – believe Hungary has the easiest investment procedures, because of its longer track record of openness to western companies.

Hungary has attracted the bulk of capital investment and about 50 per cent of acquisitions so far in the region. The country is estimated to have attracted more than $4bn in western working capital.

The report points out that investors have varying perceptions of risk in eastern Europe. US companies, for instance, pay hardly any attention to potential problems posed by Hungary's political environment. Austrian and German investors, however, see political risk as fifth in their list of preoccupations about starting up there.

On the other hand, US investors appear much more worried than Austrian/German companies about the political environment in Czechoslovakia.

US investors are also much more averse than companies from Austria and Germany to giving employment guarantees to accompany their investment moves. This reflects the relatively generous labour and employment protection laws already in force in Austria and Germany.

**Creditanstalt/EIU Vienna 1992 East European Investment Survey. Available from EIU Vienna, Tel (431)7124161.*

Persecuted Indians attack ghost of Columbus

Latin American groups find nothing to celebrate 500 years after explorer's arrival, says Damian Fraser

CHRISTOPHER Columbus would not have approved. The anniversary of his arrival in the New World 500 years ago today has been expropriated by the very Indians whose subjugation followed his arrival. Celebrations have turned into protests by Indian groups at the miserable conditions and discrimination under which they live.

Indian activists in Peru, Brazil, Ecuador, Bolivia, Colombia, and Mexico have staged street marches. In Nicaragua, indigenous groups from 24 countries are converging for a conference: 500 years of indigenous resistance, black and popular.

"There is nothing to celebrate," says Ms Rigoberta Menchu, the Guatemalan Indian and human rights activist leading the conference. "The rights of the Indian peoples continue to be violated," says Ms Menchu, a candidate for this year's Nobel peace prize.

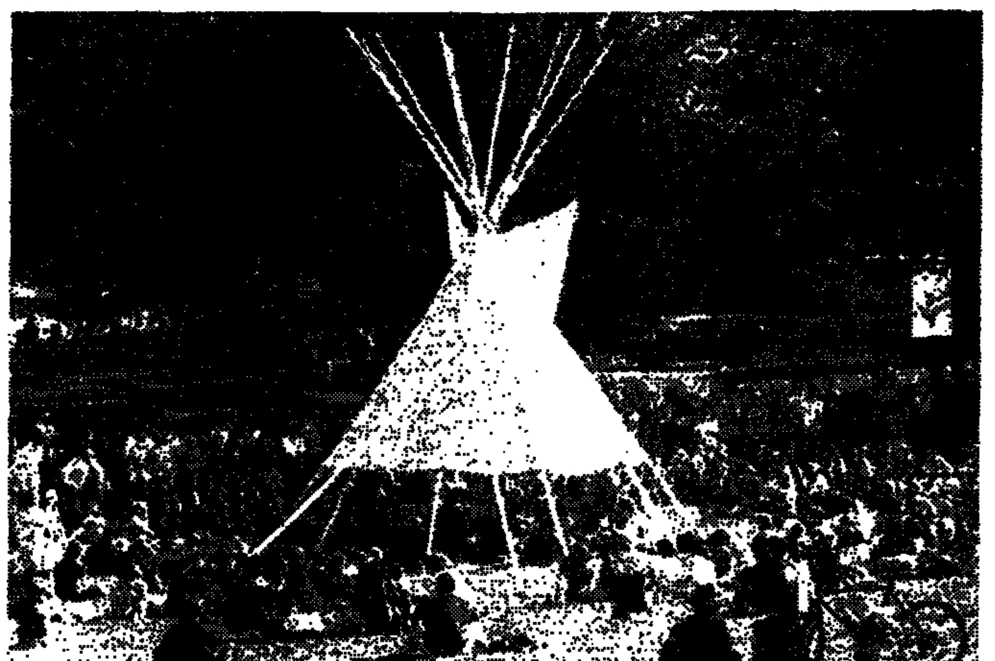
Latin nations, faced with the choice between celebrating with Spain and Portugal or sympathising with oppressed indigenous groups, have chosen the latter, or stayed silent. One hundred years ago, the same creole élites ruling the continent faced no such inhibitions: the Guatemalan government forced 20,000 Indians to march through the capital to celebrate the 400th anniversary of Columbus' arrival.

In Mexico, while the government has been virtually silent, hundreds of Indians have converged on Mexico City, where they will gather today in the capital's central square. Genero Dominguez, an indigenous activist on hunger strike there, says the campaign is to "remind the world of the crimes committed against us in the name of progress and discovery".

The mobilisation of indigenous groups across Latin America in part reflects the repression and deterioration in living standards they suffered in the 1980s in particular.

Anti-Columbus campaigning has provided a focus for their concerns. "Everyone is talking about Indians," says Mr Domingo Hernandez, a Guatemalan Indian in exile in Mexico City. "It is the first step in our fight to be recognised."

In the cities of Mexico, Indians are "poor, often extremely poor, and have the lowest, most vulnerable, precarious conditions," according to a government report. Inevitably, their cultural identity is threatened: "The culture of the Maya is based on land, corn, the family and communal life," says Mr Domingo Hernandez, a Guatemalan Indian in exile in Mexico City. "When you come to the cities this changes."



Sunrise gathering: crowds gather round a ceremonial tepee in New York's Central Park over the weekend to campaign for the return of Indians' ritual objects

Government policy across Latin America has systematically favoured urban over rural areas where the majority of indigenous peoples live. Some 70 per cent of Mexico's 8m Indians live in rural areas. Even in the countryside, the Indians are the poorest: 97 per cent of Mexico's rural Indians live in "impoverished" counties, against 23 per cent of rural Mexicans in general.

No one knows the exact number of Indians killed in land disputes or by security forces in the 1980s, but Amnesty International concluded in a report released last week that mass killings may have reduced in scale in the past 500 years, but "they have never stopped." In Guatemala alone tens of thousands of Indians were murdered in the 1980s by state security forces in the campaign to eliminate leftist insurgency groups.

Those celebrating the quincentenary appear slightly embarrassed. In the Dominican Republic, a visit by the Pope threatened to become a public relations disaster. He was to have inaugurated the lighthouse on land Colombus first spotted, but the Vatican became embarrassed at criticism that it would take a large slice of the country's electricity and infrastructure spending. The lighthouse was opened last week before the Pope arrived.

The discrimination, and poverty in which most Indians live means it will take time before any new concern leads to results. Mr Guillermo Espinosa, head of Mexico's National Indigenous Institute warns: "The indigenous peoples will keep on protesting, but I am very sceptical the general public will change their opinion. There may now be a sentimental reaction but there is not an analytical or objective understanding of their plight."

US reaches trade pact with China

By Nancy Dunne in Washington

THE US and China over the weekend signed a pact designed to open China's markets to foreign goods, thus averting billions of dollars in trade sanctions threatened by both sides.

The agreement is a major triumph for Mrs Carla Hills, the US trade representative. Since bringing a US Section 301 case against China a year ago, Mrs Hills has applied steady pressure on Beijing, ultimately using as a threat a potential retaliation list totalling \$3.9bn (£2.2bn) in Chinese exports to the US.

At the same time, she dangled as bait US support for China's long-sought membership of the General Agreement on Tariffs and Trade (Gatt). She resisted congressional pressure to take the lead in pushing for Taiwanese membership in the Gatt ahead of China's.

In the pact with China, Beijing agreed to phase out 75 per cent of its import licences, quotas and non-tariff barriers within two years. It also agreed to publish its secret trade rules, quotas, and technical standards, all of which have been used to discourage imports.

China's trade surplus with the US this year could rise to \$17bn, but US officials say the new pact prepares the ground for increased US exports of computers, machinery, chemicals, telecommunications equipment, motor parts and farm products.

● China's Foreign Ministry has summoned Mr Stapleton Roy, the US Ambassador to China, to protest against Washington's support for Hong Kong autonomy after the British colony reverts to Chinese rule in 1997, an official report said yesterday, according to AP in Beijing.

Vice-foreign minister Liu Huaqiu summoned Mr Roy to lodge a protest against the Hong Kong policy act, signed recently by President Bush.

Congress likely to back radical economic change

By Simon Holberton in Beijing

THE SENIOR leadership of the Communist party of China gathers in Beijing today for a week-long congress which is expected to endorse radical plans for economic change but balance evenly the forces of conservatism and reform at the top of the party.

China's "open door policy" to foreign investment and the country's continuing engagement with the rest of the world is expected to gain the full approval of the congress. It is also likely to endorse further industry and price reforms, and proclaim the creation of a "socialist market economy" as one of its key tasks.

Congresses of the Chinese Communist party are, however, as much about policy as they are about jobs. Diplomats in Beijing expect the party to retain Jiang Zemin as its general secretary and titular head, and also to retain Li Peng as prime minister. Li's re-appointment is not expected to be confirmed until positions in a new Chinese cabinet are announced next spring.

Neither reappointment is what Deng Xiaoping, China's 88-year-old leader, sought when he embarked on a campaign of reform at the beginning of the year. However, analysts said, Deng was forced to accept their reappointment during a round of intense horse trading among the country's gerontocracy.

The congress will elect a new central committee for the Communist party. One of its first tasks at the end of the congress will be to elect the politburo and its all-powerful standing committee.

Zhu Rongji, 63, China's industry chief and a leading economic reformer, is expected to be appointed to the politburo but it is unclear whether he will make the standing committee. Zou Jiahua, 65, head of state planning and moderate, is also expected to enter the politburo as is Hu Jintao, 50, a possible reformer and the current party secretary for Tibet.

On the military front, General Liu Huaquing, 76, is expected to be appointed to both the politburo and its standing committee. Recently, he was made first vice-chairman of the Military Affairs Commission – the organ which controls China's People's Liberation Army.

The congress will, however, mark the passing of an institution erected more than 10 years ago for the party's ageing senior membership. The Central Advisory Commission, numbering more than 100 souls, and chaired by Deng's ideological rival Chen Yun, 87, will be shut down.

Presence of Deng will loom over the proceedings

At a briefing yesterday, a foreign ministry spokesman said that there was a motion on the Congress's agenda for it to be disbanded and that no elections would take place for this body.

Deng looms over this, the 14th congress of the party since its founding in 1921. Although he has accepted an invitation to attend he is not expected to do so. Diplomats in Beijing believe that the effort he put in to relighting the fires of economic reform earlier this year have affected his health. Some think he is is seriously ill.

His name, however, will be enshrined in party documents - which may possibly making him an equal of Mao Zedong, the nation's revolutionary leader and unifier – and his daughter, Deng Nan, a scientist, may well be elected to the central committee.

Rabin threatens to crush unrest with 'all our strength'

Palestinians suspend hunger strike

By Hugh Carnegy in Jerusalem

PALESTINIAN prisoners yesterday suspended a two-week-long hunger strike which prompted widespread unrest in the occupied territories and raised fears that the issue could disrupt Middle East peace talks, which are due to resume in Washington on October 21.

At least 2,000 prisoners had been carrying out the fast in protest at prison conditions. Last night a Palestinian lawyer representing the hunger strikers said agreement had been reached with the prisons authority to investigate conditions faced by the 12,000 Palestinians in Israeli jails and that the hunger strike would be suspended for one week while the agreement was implemented.

Earlier, Mr Yitzhak Rabin, Israeli prime minister, said during a visit to the occupied Gaza Strip that Israeli troops would use "all our strength" to suppress unrest sparked by the hunger strike.

"The Palestinians must understand that the solution to their problems will be around the negotiating table and not in the streets and alleyways of the (occupied) territories."

At least two Palestinians, including a 14-year-old boy, were reported killed and more than 100 injured over the weekend in widespread clashes with the security forces in the West Bank and Gaza. Yesterday, an Israeli civilian working at a Jewish settlement in Gaza was killed by a Palestinian farm worker.

Israeli officials expressed concern that the unrest marked a resurgence of the five-year-old intifada, or uprising, in the occupied territories. They accused Palestinian leaders of fomenting disturbances to disrupt the peace talks or step up pressure on Israel to make concessions in the negotiations.

Palestinians said the demonstrations were an expression of frustration that the year-old peace talks had so far yielded nothing to ease the conditions of the Israeli occupation, including harsh conditions in the prisons.

Baghdad returns US bomb expert

US bomb disposal expert Chad Hall, arrested by Iraqi security forces on the disputed Kuwaiti border, returned to Kuwait yesterday under UN escort, Reuter reports from Kuwait.

UN officials handed Mr Hall to US ambassador Edward Gnehm at Kuwait City airport and he was driven to the US embassy. Mr Hall earlier arrived under UN escort at Umm Qasr, near the frontier, where he was given medical checks. An official said: "He looked pretty healthy to me."

Mr Hall, hired to clear ordnance left over from the 1991 Gulf War, was arrested by the Iraqis at gunpoint on Thursday as he was working with two Pakistani colleagues. The UN said he was arrested at least 1km inside Kuwait.

Iraq freed Mr Hall to UN custody on Saturday. It was in marked contrast to the harsh treatment meted out to other foreigners detained on the Kuwaiti frontier or in northern Iraq since the Gulf War ended last February.

Mr Hall, a retired US Army major, was taken at gunpoint by Iraqi security police after an argument over whether he and two Pakistani workers were working in Kuwait or Iraq. The territory had belonged to Iraq until May, when a UN commission redefined the border. Baghdad has refused to recognise the new boundary.

Baghdad announced Mr Hall's release on Saturday, carefully worded to avoid an apology, but implicitly admitting a mistake over Mr Hall's detention. Under Iraqi law, anyone entering the country without a visa can be jailed for up to 20 years; several foreigners have been convicted after being arrested near Iraqi borders.

Sweden is seeking retrials or pardons for three Swedish engineers jailed in Iraq for seven years. Two Britons have been jailed for trespassing on Iraqi territory.

Members of the Zulu-based Inkatha Freedom party make a show of arms inside the gates of a workers' hostel in Tokhoza, South Africa, as an African National Congress march passed the hostel en route to a rally yesterday. Soon after, Prince Mhlambi, a regional leader of Nelson Mandela's ANC, and three youths were killed nearby when gunmen fired on their car, Reuter reports

Turkey, Arab nations in electricity link

TURKEY and four Arab countries yesterday approved a plan to link their electricity networks by 1997, Reuter reports from Damascus.

Electricity and industry ministers of Turkey, Syria, Jordan, Iraq and Egypt signed an agreement after two days of talks in Damascus. The first stage of the project costing $185m (£103.9m) will be financed by the Kuwait-based Arab Fund for Economic and Social Development, whose director-general, Mr Abdullatif al-Hamad, attended the talks.

The project was first endorsed by the five states in 1989. The meeting also approved a feasibility study prepared by a consortium of Canadian companies.

Turkey's energy minister, Mr Ersin Faralyali, said the linked grid would serve 150m people.

Syria's electricity minister, Mr Kamel al-Baba, said the project should be a first stage towards connecting the five states with Gulf Arab countries and linking these with Europe through Turkey. Maghreb Arab countries should be linked with the five through Egypt, and other African states could also join the network, he added.

Egypt's electricity minister, Mr Maher Abaza, said work was under way on a project to link the electricity networks of Egypt and Jordan, expected to be completed in 1995.

Fraud alleged in Cameroon elections

CAMEROON'S main opposition leader alleged widespread fraud in yesterday's first multi-candidate presidential election, but said he still expected to win, Reuter reports from Yaounde. President Paul Biya's strongest challenger, Mr John Fru Ndi, claimed the government had stuffed ballot boxes, altered electoral lists and distributed inadequate ballot papers for the opposition.

The government-controlled radio did not report fraud but serious organisational problems were observed at polling stations in the capital, Yaounde, the northern city of Garoua and some other centres. Numerous problems with electoral lists and ballot papers delayed the start of voting.

The second main opposition candidate, Mr Bello Bouba Maigari, said the voting had been "badly organised". A prominent member of Mr Biya's ruling Cameroon People's Democratic Movement (CPDM) described the organisation in Garoua as perfect. Reports that the Douala-based opposition politician, Mr Jean-Jacques Ekindi, had withdrawn from the race, reducing the number of candidates to five, were denied. But Mr Ekindi's ballot papers were not distributed in several Douala polling stations.

Lebanon completes poll for deputies

By Lara Marlowe in Raifoun, Lebanon

LEBANON yesterday completed its first parliamentary elections in 20 years with a by-election that was boycotted by a majority of voters.

The turnout at elections in Kesrouan, the coastal strip north of Beirut, was estimated at less than 15 per cent.

Mr Nasrallah Sfeir, the Maronite patriarch, and a coalition of right-wing Maronite Catholics, had called on the 80,000 registered voters to boycott the poll. While most Christian Maronite voters backed the call, the extent of the boycott is unclear.

The five winning candidates will join the 128-member parliament when it convenes for the first time on Friday.

Ten thousand Lebanese army troops and police were despatched to Kesrouan to ensure security during the vote. They manned checkpoints at all main intersections and searched cars for weapons.

Advocates of the boycott claim the newly-elected parliament has no legitimacy while 35,000 Syrian troops remain in Lebanon. The Lebanese Opposition Front, established last week, is demanding the dissolution of the legislature. Those who took part in the election pointed out there are no Syrian troops in Kesrouan.

Three of the Opposition Front's four Maronite leaders, including the rebel general Michel Aoun, live in France. Much of Kesrouan was bombarded by Gen Aoun's forces in the inter-Christian war he started in 1990, but the exiled officer is popular here.

The region is the seat of the Maronite patriarchate and is regarded by many Maronites as the heart of Lebanon. The Kesrouan parliamentary elections, which were originally scheduled for August 30, were postponed when all candidates withdrew.

The participation of 24 candidates in yesterday's poll was a blow to the prestige of the patriarch.

The mountain village of Raifoun is home both to Patriarch Sfeir and one of the more prominent candidates, his cousin, Mr Henri Sfeir. Mr Sfeir resisted pressure from his clan and the church to renounce his candidacy.

"People here are torn between allegiance to the church and political pragmatism," said a brother of the candidate. "How can we make our voice heard if we have no seats in parliament?"

In an election based on feudal family loyalties, the list led by Mr Fares Bweiz, the former foreign minister, appeared likely to win most of the five seats.

NEWS IN BRIEF

Kuwait 'chooses US' to supply main battle tank

KUWAIT has chosen the US Abrams M1-A2 tank, similar to those which helped the allies win the Gulf war against Iraq, as the main battle tank for its army, the official Kuwait News Agency (Kuna) quoted Sheikh Ali Sabah al-Salem al-Sabah, defence minister, as saying yesterday, Reuter reports from Kuwait City. A committee of military experts had chosen the tank as "the most responsive to Kuwaiti army requirements", the report went on.

But last night, Vickers of the UK, which had been competing for the contract, said it had no knowledge of any decision and was surprised by the report.

According to Kuna, Sheikh Ali said contacts were under way with the US government to facilitate the purchase of the tanks made by General Dynamics. Kuna did not say how many tanks Kuwait would buy or give the expected value of the deal. British Challenger tanks competed with US tanks in desert trials this summer for a contract expected to involve about 230 tanks and spare parts in a deal worth $1.5bn-$2bn.

BMW-Renault recycling pact

BMW, the luxury car maker, has sealed the first international co-operation agreement for recycling used cars with France's Renault, it said yesterday, Reuter reports from Munich. BMW had signed the contract to work together on disassembling procedures and industrial recycling of the used cars, it added.

The two groups also agreed that Française des Ferrailles in Athis-mons would process used BMW cars in France, while Guenter Schmitt in Würzburg would recycle used cars of both companies in Germany. Germany's environment minister Klaus Töpfer presented a draft regulation in August which would make it compulsory for car makers to take back their old cars when the cars are ready for the scrap heap.

Bhutto leads parliament boycott

Pakistan's former prime minister Benazir Bhutto led an opposition boycott of the parliament's lower house yesterday after clashing with the government over an alleged attempt to kill her last month, Reuter reports from Islamabad. Ms Bhutto and other deputies of her People's Democratic Alliance (PDA) marched out of the house after Gohar Ayub Khan, the National Assembly speaker, gave short shrift to their accusations.

On Saturday, a court acquitted Ms Bhutto's husband Asif Ali Zardari of masterminding the murder of 29 people. Prison officials said Mr Zardari, arrested in October 1990, was still being held to face other charges, although this acquittal was his fifth so far.

Indian rebels die in attack

Five separatist rebels were killed when police raided their jungle hideouts in north-east India's Tripura state, officials said yesterday, Reuter reports from Guwahati. But the Press Trust of India said at least 16 rebels had been killed in the operation.

Burma to de-nationalise sawmills

Burma's military junta announced yesterday it was returning to private ownership sawmills nationalised over two decades ago, AP reports from Rangoon. The official newspaper Kyemon identified the 18 mills and named the people who claimed to own them. Newspapers recently invited private entrepreneurs to rent government industrial establishments, or join the government in operating them. These include textile, shoemaking and umbrella factories.

N Korea denounces US

Communist North Korea denounced the US yesterday for delaying planned troop reductions in South Korea. It said the decision was a grave military challenge that aggravated tensions on the Korean peninsula, AP reports from Tokyo. The US and South Korea agreed last week to continue delaying the US troop cuts until assured that North Korea is not developing nuclear weapons.

Assault on separatist Kurds

Iraqi Kurds attacked ridges guarding the last bastion of Turkish separatist Kurds in northern Iraq yesterday, Reuter reports. Kurdish Peshmerga guerrillas crept up rocky heights which command entry to the Hakurk valley, where Turkey's Kurdistan Workers Party (PKK) has its military command. The assault, which could take several days, was the climax of a week-old offensive to drive the PKK from their bases in northern Iraq.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	76.5
1987	105.6	100.7	103.8	98.7	65.4
1988	109.9	103.2	106.9	98.1	61.8
1989	115.2	108.5	110.0	98.9	65.5
1990	121.5	113.8	113.8	100.9	60.9
1991	126.6	116.3	117.3	103.5	
3rd qtr.1991	3.9	1.9	3.2	2.4	62.0
4th qtr.1991	3.0	−0.2	2.9	1.7	
1st qtr.1992	2.9	0.4	2.6	−0.1	
2nd qtr.1992	3.1	1.2	2.9	−0.6	
September 1991	3.4	0.8	2.6	2.1	n.a.
October	2.9	−0.1	2.6	2.9	n.a.
November	3.0	−0.5	3.5	1.7	n.a.
December	3.1	−0.1	2.6	0.7	n.a.
January 1992	2.6	−0.4	1.7	0.7	n.a.
February	2.8	0.6	3.5	−0.1	n.a.
March	3.2	1.1	2.6	−0.7	n.a.
April	3.2	1.1	3.4	−0.6	n.a.
May	3.0	1.1	2.6	−0.8	n.a.
June	3.1	1.5	2.6	−0.7	n.a.
July	3.2	1.7	1.7	−0.5	n.a.
August		1.5	2.6	−0.6	n.a.

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.8	95.3	101.4	103.3	131.0
1987	101.2	92.5	103.1	100.6	131.6
1988	102.2	92.3	107.8	96.2	140.3
1989	104.9	94.2	114.0	96.1	132.2
1990	108.2	95.7	120.1	98.2	114.8
1991	111.8	97.3	124.4	101.7	
3rd qtr.1991	3.3	1.7	3.3	4.0	125.3
4th qtr.1991	3.2	0.0	3.2	6.0	
1st qtr.1992	2.1	−0.6	2.5	8.6	
2nd qtr.1992	2.5	−0.7	2.4		
September 1991	3.0	1.1	2.9	4.0	n.a.
October	3.1	0.3	2.8	6.1	n.a.
November	3.6	−0.1	2.7	6.0	n.a.
December	3.0	−0.1	3.5	5.9	n.a.
January 1992	2.1	−0.6	4.6	8.0	n.a.
February	2.2	−0.6	1.2	7.9	n.a.
March	2.1	−0.7	1.7	9.8	n.a.
April	2.8	−0.7	1.3	7.7	n.a.
May	2.3	−0.7	1.1	11.8	n.a.
June	2.5	−0.7	3.8		n.a.
July	2.0	−0.7			n.a.
August	1.8				n.a.

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.6	104.0	110.2
1987	100.1	95.1	106.0	107.0	123.9
1988	101.4	96.2	113.0	107.0	125.3
1989	104.2	99.3	117.3	108.0	121.0
1990	107.0	101.0	123.8	110.0	125.0
1991	110.7	103.4	131.8	115.0	
3rd qtr.1991	4.1	2.8	n.a.	4.6	122.7
4th qtr.1991	3.9	2.4	n.a.	6.6	
1st qtr.1992	4.3	2.0	n.a.	4.5	
2nd qtr.1992	4.5	2.0	n.a.	3.8	
September 1991	3.9	2.6	6.4	5.5	n.a.
October	3.5	2.3	–	5.5	n.a.
November	4.2	2.5	–	5.4	n.a.
December	4.2	2.6	6.3	9.0	n.a.
January 1992	3.9	1.6	–	4.5	n.a.
February	4.3	2.0	–	3.6	n.a.
March	4.8	2.5		5.4	n.a.
April	4.6	1.9		5.4	n.a.
May	4.6	2.0		1.7	n.a.
June	4.3	2.0		4.3	n.a.
July	3.3	1.1			n.a.
August	3.5	1.1			n.a.

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	102.3
1987	105.9	97.8	107.8	103.0	102.6
1988	108.8	102.8	111.1	104.0	98.3
1989	112.6	108.4	115.4	105.5	92.3
1990	116.4	107.1	120.6	110.0	95.7
1991	120.0	105.8	125.8	114.3	
3rd qtr.1991	3.0	−1.5	n.a.	2.7	91.0
4th qtr.1991	2.9	−3.6	n.a.	3.6	
1st qtr.1992	3.1	−3.1	n.a.	0.9	
2nd qtr.1992	3.1		n.a.		
September 1991	2.6	n.a.	4.3	n.a.	n.a.
October	2.5	n.a.	–	n.a.	n.a.
November	2.9	n.a.	–	n.a.	n.a.
December	3.1	n.a.	4.1	n.a.	n.a.
January 1992	2.9	n.a.	–	n.a.	n.a.
February	3.0	n.a.	–	n.a.	n.a.
March	3.2	n.a.	3.6	n.a.	n.a.
April	3.1	n.a.	–	n.a.	n.a.
May	3.1	n.a.	–	n.a.	n.a.
June	3.0	n.a.	3.8	n.a.	n.a.
July	2.9	n.a.	–	n.a.	n.a.
August	2.7	n.a.	–	n.a.	n.a.

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.6	101.5
1987	111.0	103.2	111.6	105.6	102.3
1988	116.5	106.8	118.4	109.8	101.6
1989	124.2	113.1	125.6	112.1	107.2
1990	131.8	117.8	134.7	118.8	113.7
1991	140.3	121.7	147.9	131.2	
3rd qtr.1991	6.4	3.1	10.7	12.8	114.3
4th qtr.1991	6.1	2.1	10.6	12.7	
1st qtr.1992	5.6	1.4	9.2		
2nd qtr.1992	6.5	2.0	6.0		
September 1991	6.2	2.6	10.8	n.a.	n.a.
October	6.1	2.2	10.8	n.a.	n.a.
November	6.2	2.3	10.7	n.a.	n.a.
December	6.0	1.9	10.4	n.a.	n.a.
January 1992	6.1	1.3	9.4	n.a.	n.a.
February	5.3	1.5	9.1	n.a.	n.a.
March	5.5	1.4	9.1	n.a.	n.a.
April	5.5	1.8	8.8	n.a.	n.a.
May	5.7	2.1	4.6	n.a.	n.a.
June	5.4	2.1	4.7	n.a.	n.a.
July	5.4			n.a.	n.a.
August	5.2			n.a.	n.a.

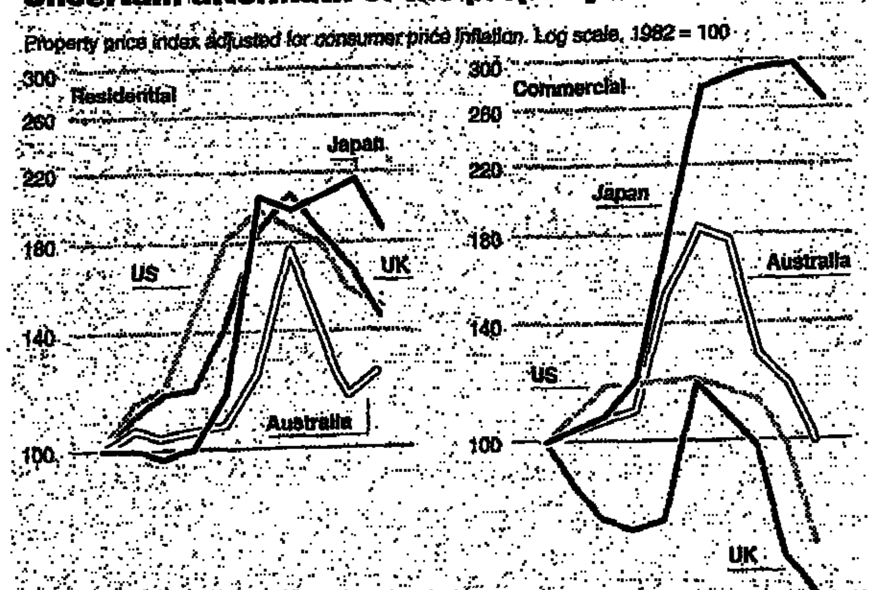
UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	104.3	107.7	104.5	93.3
1987	107.7	108.3	116.3	105.9	91.3
1988	113.0	113.2	126.2	108.9	97.5
1989	121.8	119.0	137.2	113.6	96.4
1990	133.3	126.0	150.1	123.2	102.3
1991	141.2	133.0	162.4	133.6	
3rd qtr.1991	4.8	5.5	7.8	6.3	107.0
4th qtr.1991	4.2	5.0	7.8	4.4	
1st qtr.1992	4.1	4.5	8.6	4.2	
2nd qtr.1992	4.2	3.6	5.9	1.5	
1991 September	4.1	5.4	7.5	5.4	n.a.
October	3.7	5.0	8.3	5.8	n.a.
November	4.3	5.1	7.8	3.4	n.a.
December	4.5	4.8	7.2	3.9	n.a.
1992 January	4.1	4.5	7.5	4.7	n.a.
February	4.1	4.4	7.8	2.5	n.a.
March	4.0	4.5	10.3	5.3	n.a.
April	4.3	3.8	5.0	−0.2	n.a.
May	4.3	3.5	7.0	2.5	n.a.
June	3.9	3.5	5.9	2.0	n.a.
July	3.7	3.4	6.2	3.0	n.a.
August	3.6	3.3			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

Uncertain aftermath of the property boom

Property price index adjusted for consumer price inflation. Log scale, 1982 = 100



Source: Bank for International Settlements, Annual report, 1992

Slow puncture of the Japanese real estate bubble

THE DETAILS of Britain's new economic policy remain shrouded in Treasury mystique. But one clear message emerged in the chancellor's letter to the Treasury and civil service select committee: the UK government will no longer ignore the macroeconomic messages emerging from the housing market. The chancellor intends to monitor a range of asset prices, "paying particular attention to periods when house prices are falling or accelerating sharply".

Of course, it is now a little late. The inflationary danger signals from rapid house price inflation should have been spotted back in 1985 and 1986. But during the subsequent two years interest rates were cut in an attempt to prevent sterling from rising above DM3 rather than raised to rein in property-related credit demand. By the time British interest rates were increased to double figures, the house price bubble was already bloated and ready to burst.

Nor was this a peculiarly British mistake. The bulk of Japan's asset price inflation occurred in the period 1985-87, as the charts show. Yet the Japanese monetary authorities cut the official discount rate in 1987 in an attempt to stabilise the dollar's collapse, ignoring the inflationary dangers that this large rise in property prices implied.

Yet movements in property prices can be destabilising when they are falling as well as rising, as the chancellor's letter suggests. So what should the current pattern of property prices be telling policymakers? The charts are taken from the the September issue of the International Bank Credit Analyst. They suggest that it is policymakers in Japan who should now be paying particular attention.

The monetary authorities in the US, UK and Australia have all been watching the deflationary impact of falling land prices for some time, and cutting interest rates accordingly. Commercial prices peaked first in the US but they have fallen furthest in the UK where interest rate cuts have so far been relatively modest. But the plethora of empty commercial real estate in the financial districts of Sydney, London and in many US cities are testimony to the severity of the commercial real estate collapse that continues to undermine bank balance sheets and restrict the availability of new lending.

Consumers have also been hit by falling property prices. Nominal house prices across southern England have fallen by more than 25 per cent since the end of 1988, eroding the real value of household wealth. More than 1 in 10 UK homeowners with mortgages now owe more than their house is worth at current prices. But the charts suggest that, relative to consumer prices, house prices in the US, UK and Australia may still have some way to fall. UK house prices are still high, relative to average earnings, and the low level of housing transaction in the UK suggests that house prices may have to fall further.

In Japan, however, the charts suggest that the bursting of the land price bubble is only now getting under way. The rise in Japanese land prices was so extreme, and transactions in the land market have since dried up to such an extent that, after falling between 20 and 40 per cent from their peak, land prices remain at unrealistically high levels.

The problem for Japan's policymakers is that neither the Bank of Japan nor the commercial banks know how far prices would have to fall before the adjustment is over. Some commercial bankers talk of further falls of 30 per cent in real estate prices, estimates that Bank of Japan officials describe as highly plausible.

Yet the evidence from the US, UK and Australia suggests that prices may have to fall twice as far as these estimates suggest. If prices do finally fall far enough for speculators to re-enter the market, the real estate losses for Japan's banks will be much higher than the Y7,800bn (£36.4bn) of non-performing loans that the Ministry of Finance reported last March or the Y15,000bn which commercial bankers estimate the ministry's latest study will reveal. For Japan's banking industry, the domestic pain is still to come.

Edward Balls

MacGregor supports early ERM re-entry

By Ivo Dawnay, Political Correspondent

MR John MacGregor, transport secretary, recently seen as a possible future chancellor, yesterday lined up squarely with senior cabinet colleagues backing Britain's return to the European exchange rate mechanism as soon as it is feasible.

Mr MacGregor's unequivocal support for early re-entry to the ERM will disappoint those who saw him as less controversially "European" than the other widely cited contender for the post – Mr Kenneth Clarke, home secretary.

In repeated statements since Britain left the ERM on September 16, Mr John Major, prime minister, has felt obliged to stress there is no question of Mr Norman Lamont being moved from the chancellorship. However, speculation over Mr Lamont's medium-term future has continued unabated, fuelled by the poor reception from commentators and the City to his speech to the Conservative party conference in Brighton last week.

The question mark over the chancellor of the exchequer provoked widespread discussion in the fringes of the conference – itself fiercely divided over the desirability of UK membership of the ERM – as to his likely successors.

While a straight switch of jobs between Mr Lamont and Mr Clarke was cited as one option, some argued that Mr MacGregor, former chief secretary to the Treasury, would be a less controversial alternative.

But Euro-sceptics rallying to Mr Lamont made clear that such a move would be viewed as a serious shift in the delicate balance of influences on the prime minister towards the most vehemently pro-Maastricht Europeans.

On the other hand, Mr MacGregor as chancellor – much like the appointment of Mr Peter Brooke to National Heritage – was seen as a less contentious alternative.

In a BBC television interview, however, Mr MacGregor made plain yesterday that he was closely allied with Mr Clarke, Mr Douglas Hurd, foreign secretary, and Mr Michael Heseltine, trade secretary, in the strongly pro-ERM faction in the cabinet.

Their opponents are Mr Michael Howard, environment secretary, Mr Peter Lilley at social security and Mr Michael Portillo, chief secretary. Mr Lamont's official backing for a return "when circumstances allow" is widely viewed as indicating scant enthusiasm for any such move.

Taking care to pledge unqualified support for the chancellor's decision to leave the mechanism, the transport secretary said currency flows had left no alternative, although the enforced exit was "a great pity. Once we have sorted out what needs to be done to produce an ERM, or post-ERM, that will assist the community with dealing with those currency flows, then we should be back in it."

Lamont told Treasury to gloss over projections

By Peter Marsh

MR NORMAN LAMONT told Treasury economists to put a more favourable gloss on official projections for the UK's growing public sector deficit, published a month before the April general election.

In an internal note, the chancellor told officials to recalculate projections for the public sector borrowing requirement in the five years to 1996-97, to pull these down if possible to zero by the end of the period. That led the Treasury to publish projections for the cumulative deficits in the three years to 1996-97 that were roughly £30bn below the original figures worked out internally.

Mr Lamont's initiative was designed to ensure that the Budget statement published in March, which also contained the latest Treasury forecasts, would not include figures about government deficits that would unsettle financial markets and the public.

Details of the manoeuvrings will intensify pressure on Mr Lamont to clarify the degree to which Treasury economists provide analysis free from political pressures.

Mr Lamont, whose future is in some doubt after the debacle of the pound's suspension from the exchange rate mechanism and his lacklustre reception at last week's Tory conference, is to discuss economic strategy today at a meeting with the Commons' treasury and civil service committee.

Seven months after Mr Lamont made his move to cut the Treasury's PSBR projections, he is attempting to trim back public spending next year because of renewed fears about rising state borrowing triggered by the recession.

The chancellor put pressure on his officials in a note drafted about a week before the Budget on March 10. The Treasury settled for a compromise, in which the PSBR projection for 1996-97 was set in the Budget statement at £6bn, above Mr Lamont's zero target but less than the estimated figure of about £16bn.

Trafalgar House chief to step down

By Roland Rudd

SIR Nigel Broackes is to relinquish control of Trafalgar House, the property, construction and shipping group.

Sir Nigel, who founded the group more than 30 years ago is to step down as chairman and become life president, which is expected to be an honorary consultancy post without an automatic board seat.

The move is part of a series of managerial changes at the group, which has thwarted an attempt by Hongkong Land to increase its stake substantially. Sir Eric Parker is to step down as chief executive in favour of Mr Allan Gormly, head of the engineering division. Mr Alan Clements, the senior of the group's three non-executive directors, has drawn up a list of outside candidates to take over as chairman.

The non-executives, who include Mr David Howell, a senior Conservative MP, and Mr Tony Ryan, chairman of GPA Group, the aircraft leasing company, recently decided against approaching any potential successor to Sir Nigel after Hongkong Land took 14.9 per cent of Trafalgar.

The colony's leading property and development group will today confirm it failed to increase its stake in the tender offer by more than 1 per cent. Nonetheless, one of Trafalgar's financial advisers yesterday said the group would consider a request from Hongkong Land to have boardroom representation. Trafalgar's managerial changes will be discussed with Hongkong Land after Trafalgar's board meeting today.

Mr Simon Keswick, chairman of Hongkong Land and Mr Henry Keswick, chairman of Jardine Matheson, which controls a third of Hongkong Land, have made clear they want to discuss managerial changes in the context of Hongkong Land's agenda, which includes boardroom representation and a significant say in the group's strategy.

Trafalgar is not expected to announce the managerial changes until the terms and conditions of Sir Eric's departure are finalised.

The publisher of Picture Post, Edward Hulton, said the first issue should not have a woman on the cover and suggested a battleship instead. So the editor, Stefan Lorant, used two women instead (left)

New technology for old pictures

THE Hulton Deutsch picture library, one of the largest in the world, with more than 13m images, is moving to the latest CD-Rom technology, writes Raymond Snoddy.

The company, bought from the BBC in 1988 by Mr Brian Deutsch, a former cable television operator, published its first CD-Rom this week, People. Some 10,000 images are stored on a single disc the size of a conventional music compact disc. The disc, used with a personal computer, is designed for researchers, picture editors and advertising agencies, who can call up a name and see thumbnail pictures with references and captions.

The aim is to speed up picture research and the ordering of pictures, which can be delivered within 24 hours. A second CD of pictures from the 1930s is in preparation.

Mr Deutsch recently raised £5m from a syndicate of investors led by Cinven, the venture-capital group, which has taken a 35 per cent stake.

The library was originally created by Edward Hulton, publisher of Picture Post magazine, and was owned by the BBC between 1958 and 1988. Many early collections have been added, including the Keystone, Fox and Central Press News archives.

Gloomy outlook among financial services groups

A PICTURE of deepening gloom and pessimism in Britain's financial services companies emerges from the latest quarterly survey of business confidence in the sector, published by the Confederation of British Industry and Coopers & Lybrand today, writes David Barchard.

The report says companies are delaying investment because they are worried about business prospects and believe they risk a net loss on developments they plan.

In contrast to the second quarter of the year, when companies were increasingly confident about business prospects, the survey reveals that many of the 300 companies, ranging from banks and building societies to stockbrokers and venture capitalists, saw their business volumes dwindle in between July and September.

Sharp decline reported in business confidence

By James Blitz

THE latest survey of business confidence in the UK, published yesterday by Dun and Bradstreet International, the business information company, reveals the sharpest decline in expectations for profits, sales and new orders in British commerce since the recession started in the spring of 1990.

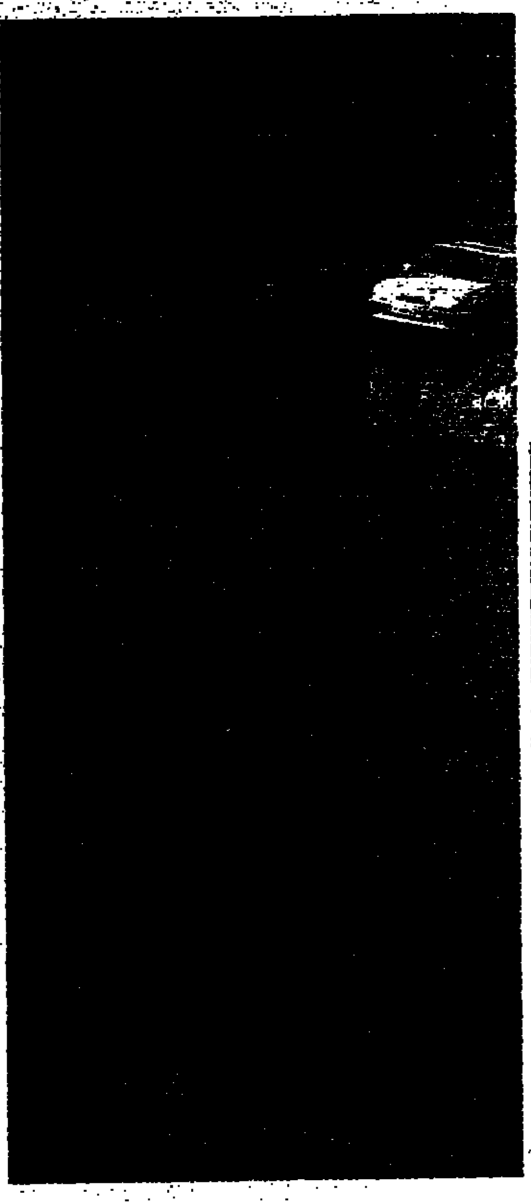
The report, the first national survey of business confidence to be conducted since the government was forced to float sterling on the foreign exchanges on September 16, reflects deepening gloom in most sectors of the economy.

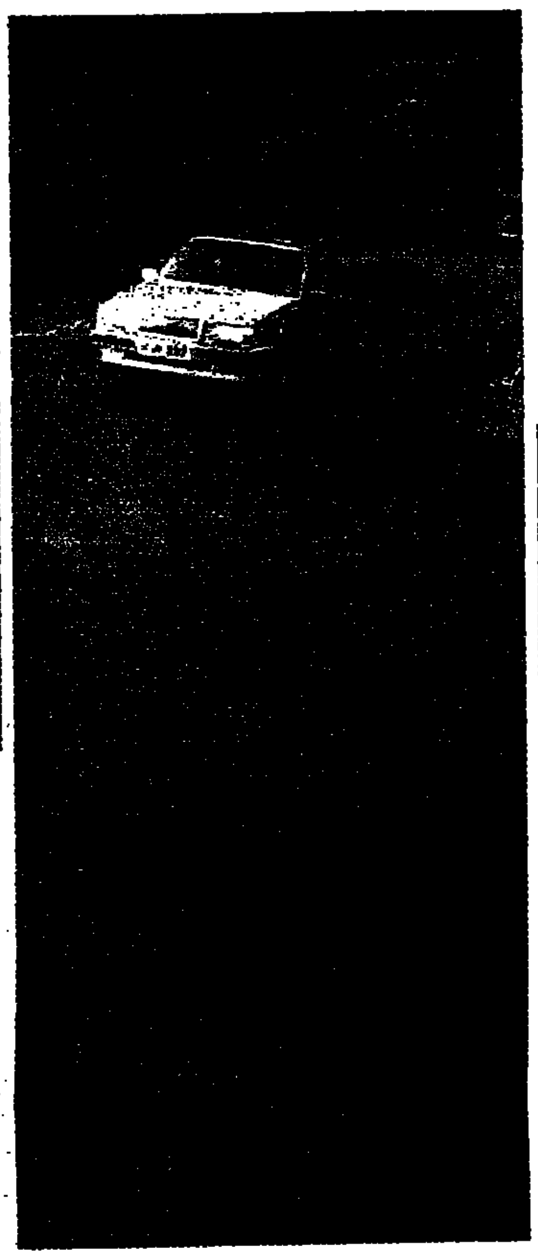
In retailing and construction the outlook seems particularly bleak. Retailers anticipate declining sales volumes despite an aggressive price cutting strategy, while most building firms are forecasting static order books at best.

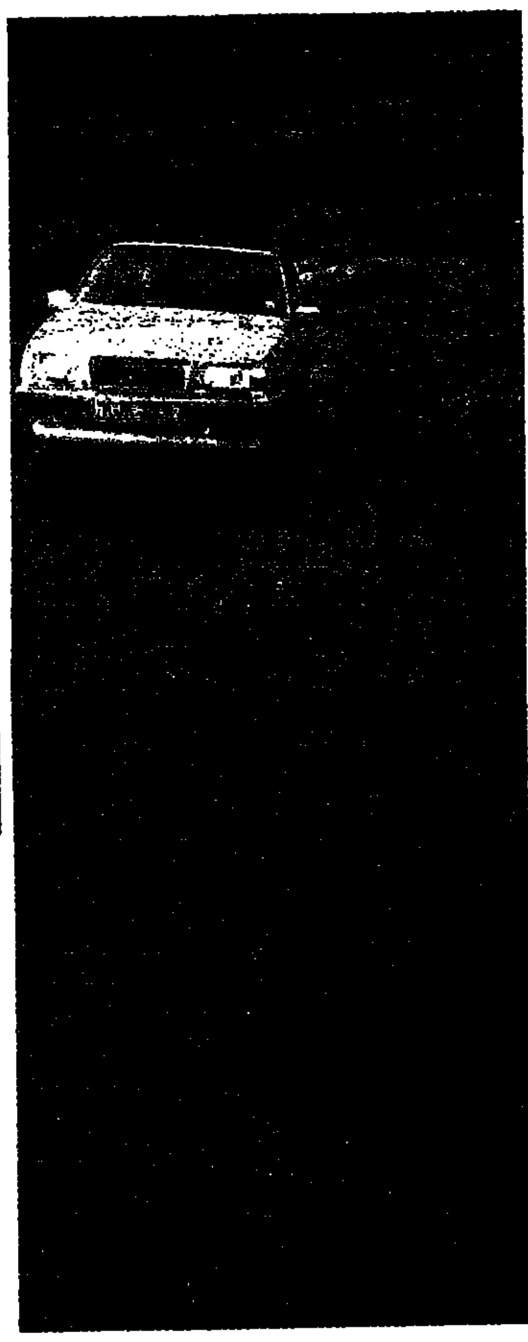
The survey, in which 1,900 managing directors were interviewed, reveals a marked decline in optimism over sales volumes. Six out of 10 companies expect no upturn in sales in the final quarter of this year, while 39 per cent expect sales to decrease. Dun and Bradstreet's optimism index, a method of calculating business confidence, reveals that the quarter-to-quarter decline is the steepest since the fourth quarter of 1989 and the first of 1990.

The bleak sales outlook is matched by a severe slump in profit expectations. Only 21 per cent of companies predicted improved profits in the next three months. For the first time in over a year, Dun and Bradstreet found that more businesses are expecting profits to decrease rather than increase in the ensuing three months.

WHEN YOU STEER INTO A TIGHT BEND, THE REAR WHEELS STEER YOU OUT.







Buy a Volvo 850 and you'll get a couple of extra steering wheels free.

They look like ordinary rear wheels but the way they're attached to the car makes them unique.

They're carried on trailing arms which are linked to two transverse struts and the whole unit is mounted on rubber bushes.

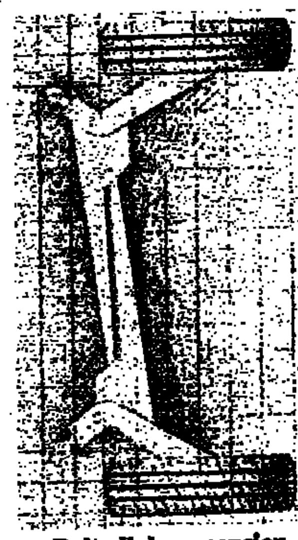
The links and bushes give additional flexibility.

This allows the lateral forces that occur naturally in a tight corner to turn the rear wheels in the opposite direction to the front wheels.

We call it the Delta-link suspension system.

It makes the car stable, responsive and a whole lot more fun to drive.

However, sporty suspensions are no use without sporty engines.



Delta-link suspension.

So neatly shoehorned between the front wheels you will find the world's first transverse, 5 cylinder, 20 valve engine.

(It sits sideways so your passengers don't have to.)

The 2.5 litre version generates 170 brake horse power and delivers 90% of maximum torque from 2000 to 6000 revs.

Or as Autocar put it "The five is a great engine.

Free revving, flexible, refined and gifted with a voice that will warm the hearts of those who have never given a Volvo a second thought until now."

(Be careful how you use it or you may pick up one or two endorsements of your own.)

It will whisk you from 50-70 in under six seconds and on to 134 mph should you find yourself on the autobahn.

(As the engineers at Porsche, who had a hand in its development, often do.)

But do these innovations mean that Volvo's traditional safety values have been left behind in the 850's impressive slip stream?

Far from it.

Hidden below its sleek exterior lies SIPS, Volvo's new side impact protection system.

High strength steel is used in the roof, floor and central pillars, while bars run laterally inside the front and rear seats.

In a nearside collision the far side pushes out, effectively moving its occupants away from danger.

The impact is transferred through the metal, not the passengers.

Side impacts account for one in four crashes and tests have shown that this system reduces the risk of chest injury by 50%.

The 850 also has self-adjusting front seat-belts that ensure a safe positioning regardless of the size of the passenger.

And rear lap belts will not do; everyone who sits in the car gets a three point seat belt.

However, in an effort to render all of the above safety measures unnecessary, anti-lock brakes come as standard.

If you would like to experience the 850 for yourself telephone 0800 400 430 and arrange a test drive.

We'll be happy to steer you into one.

THE VOLVO 850. IT DRIVES LIKE IT'S ALIVE.

VOLVO VOLVO 850 FROM £17,995 INCLUDING CAR TAX AND VAT. EXCLUDING STANDARD NATIONAL DELIVERY CHARGE £295 INCLUDING VAT. PRICES ARE CORRECT AT TIME OF GOING TO PRESS. VOLVO CAR UK LIMITED, GLOBE PARK, MARLOW, BUCKINGHAMSHIRE SL7 1YQ.

ECONOMICS

Input prices hang on sterling's fall

THE first impact of sterling's devaluation on prices should show up in this week's input price index for materials and fuel used by UK manufacturers.

In August, input prices declined by 1.9 per cent, mainly reflecting an exceptional fall in the price of food manufacturing materials and weaker petroleum products prices.

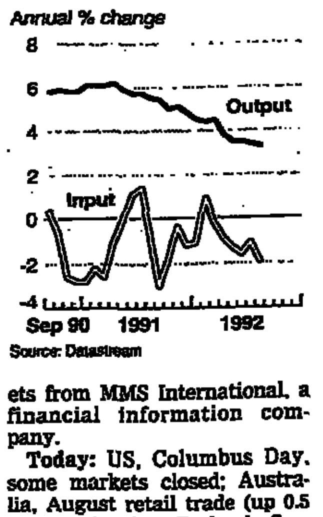
However, sterling has fallen sharply against both the dollar and the D-Mark since September 16, when the UK abandoned the European exchange rate mechanism. Oil prices were higher in dollar terms anyway in September, and sterling's drop against the US currency will have compounded the effect.

Other indicators on the UK economy include manufacturing output which was flat in July after a small rise in June. *Recent surveys by the Confed*eration of British Industry suggest that output remained weak in August. This is reflected in the consensus forecast of a 0.3 per cent fall for the month.

Unemployment figures are also unlikely to cheer the government. Having risen by 47,000 in August, the number of people out of work and claiming benefit is forecast to have risen another 38,000 in September.

The following are some of the other economic highlights *of the week with the median of* economists' forecasts in brackets from MMS International, a financial information company.

UK producer prices



Source: Datastream

Today: US, Columbus Day, some markets closed; Australia, August retail trade (up 0.5 per cent); New Zealand, September food price index; Sweden, August current account *(SKr4.3bn deficit)*; UK, Chancellor Norman Lamont to be questioned by Commons Treasury and Civil Service select committee over exit from the ERM.

Tomorrow: UK, September producer prices, input (up 0.6 per cent on month, up 0.2 per cent on year), excluding food drink and tobacco (up 2.6 per cent); France, September consumer prices index (up 0.2 per cent on month, up 2.7 per cent on year); Spain, September CPI (up 1 per cent on month, up 5.9 per cent on year); Norway, Sep*tember trade balance* excluding ships (NKr3.4bn surplus); Japan, August machine orders; US, August home completions, Johnson Red Book, vice presidential debate in Atlanta; Italy, general strike against government budget.

Wednesday: UK, August industrial production (flat), manufacturing output (down 0.3 per cent on month, down 0.5 per cent on year); US, Sep*tember producer price index* (up 0.3 per cent), excluding food and energy (up 0.2 per cent), car sales October 1-10 (6.2m); New Zealand, CPI; Japan, September trade balance ($12.7bn surplus), Federal Reserve chairman Alan Greenspan and Bank of Japan governor Yasushi Mieno deliver speeches at Japan Bankers' Association.

Thursday: UK, September unemployment (up 38,000), August average earnings (up 5.75 per cent), August unit wage costs (up 2.3 per cent on year); Sweden, September CPI (up 0.8 per cent on month, up 1.9 per cent on year), September trade balance (SKr3bn surplus); Finland, September CPI (up 2.4 per cent on year); US, September CPI (up 0.3 per cent), excluding energy (up 0.3 per cent), initial claims week ended October 3 (400,000), state benefits week ended September 26, September real earnings, money supply data for week ended October 10, September monthly money supply, second presidential debate in Richmond, Virginia; Canada, September CPI (up 0.1 per cent on month, up 1.4 per cent on year), excluding food and energy (up 1.8 per cent on year); Japan, September wholesale prices index (down 0.3 per cent on month, down 1.1 per cent on year); New Zealand, second-quarter gross domestic product.

Friday: UK, EC special summit opens in Birmingham, September public sector borrowing *requirement* (£3bn); US, August merchandise trade ($7.2bn deficit), exports ($37bn), imports ($44.3bn), September industrial production (down 0.4 per cent); Canada, August merchandise exports (down 1 per cent on month), imports (down 0.9 per cent on month), trade balance (C$700m surplus), August inventory shipment ration (1.49 per cent), August manufacturers' unfilled orders, advance September department store sales; Japan, industrial production.

During the week: US, September capacity utilisation (78.1 per cent); Germany, August retail sales (down 2.5 per cent on year), September WPI (down 0.4 per cent), cost of living – final (up 3.6 per cent on year); Spain, September M4 (up 10 per cent); Denmark, CPI (up 0.5 per cent on month, up 2.1 per cent on year); Netherlands, September unemployment in three months to September (up 3.9 per cent); Switzerland, August trade balance (SFr50m deficit); Australia, August housing finance (up 3 per cent).

Emma Tucker

RESULTS DUE

LUCAS Industries, the UK-based engineering group, should produce a trading profit of £20m when it announces preliminary profits today before an exceptional gain of £90m from its pension fund refund. The group is, however, expected to announce exceptional restructuring provisions of £60m. The group should maintain its dividend.

Body Shop International will try tomorrow to repair some of the damage done to its share price by last month's profits warning. Bringing to an abrupt halt a record of unbroken profits growth, the cosmetics retailer said interim pre-tax profits would be not less than £8m (£9.1m) and the 0.68p dividend would be maintained.

The shares fell 108p to 158p on the news and so far have only recovered to 170p. Investors will be anxious to hear how UK sales are going. Body Shop said last month that some store sales were down between 3 and 5 per cent over the past three months.

Who will end up as owner of Mirror Group Newspapers remains unresolved nearly a year after the death of Robert Maxwell but the business is still performing well.

Analysts are predicting pre-tax profits of between £8m and £18m for the half year. When the results are announced tomorrow all the signs are that the actual performance will be at the upper end of the range.

Highland Distilleries, maker of The Famous Grouse, the second best-selling Scotch whisky in the UK, is expected to report full-year pre-tax profits today virtually unchanged from last year's £28m.

Famous Grouse, which suffered from the 12 per cent decline in the UK market in the first half, may have benefited since then from price increases and a gain in market share. Export growth is likely to have been modest, however, and sales of new whisky fillings have been hit by lower demand and softer prices.

Lloyds Chemists, the second-largest chain of retail chemists after Boots, is expected to *report on* Thursday pre-tax profits for the year to June of about £35m. The rise from £20.8m a year earlier reflects in large part the group's ambitious acquisitions programme.

Attwoods, the international waste management company, is likely to report pre-tax profits of £41m on *Friday*, a sharp drop in earnings after last October's heavily discounted rights issue. Business is slow in its south-eastern US market.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Mid Wynd Intl. Inv. Tst., 1 Rutland Court, Edinburgh, 11.00
BOARD MEETINGS:
Finals:
Hidong Estate
Highland Distilleries
Lucas Inds
Lyles (S.)
Paramount
Tay Homes
Interims:
Aminex
Gates (Frank G.)
North British Canadian Inv.
Walker Greenbank

■ TOMORROW
COMPANY MEETINGS:
Fleming O'seas Inv. Tst., 25 Copthall Avenue, E.C., 12.00
Howard Hldgs., Kingston Lodge Hotel, Kingston Hill, Kingston upon Thames, Surrey, 10.30
News Intl., 495 Virginia Street, E., 12.00
Practical Inv. Co., 111 Cannon Street, E.C., 12.30
BOARD MEETINGS:
Finals:
FR Group
Pochins
St. Ives
Sinclair (Wm.)
Interims:
Body Shop
Channel Hldgs.
Hughes (T. J.)
Mirror Group Newspapers

■ WEDNESDAY OCTOBER 14
COMPANY MEETINGS:
Alumasc, Ironmongers' *Hall, Shaftesbury Place,* Aldersgate, E.C., 10.30
Armitage Brothers, Armitage House, Colwick, Nottingham, 11.00
Macro 4, The City Cellars, The Brewery, Chiswell Street, E.C., 12.00
Richmond Oil & Gas, Chartered Accountants Hall, *Moorgate Place,* E.C., 11.30
Wholesale Fittings, The Institute of Electrical Engineers, Savoy Place, W.C., 10.30
BOARD MEETINGS:
Finals:
Thorntons
Interims:
Berry, Birch & Noble
Brown (N.)
Capital & Regional Props.
Clinton Cards
Delyn
Intereurope Technology
Serif

■ THURSDAY OCTOBER 15
COMPANY MEETINGS:
Elbief, Prince of Wales Lane, Warstock, Birmingham, 11.00
First Spanish Inv. Tst., 48 Chiswell Street, E.C., 12.00
SelecTV, Hyde Park Hotel, 66 Knightsbridge, S.W., 3.00
BOARD MEETINGS:
Finals:
Lloyds Chemists
Maunders (John)
Tamaris
Interims:
Abbeycrest
Amer
BNB Resources
Barlows
Etam
European Leisure
Gleeson (M. J.)
Hi-Tec Sports
London American Ventures Tst.
Radamec
Tudor
UDO
Value & Income Tst.

■ FRIDAY OCTOBER 16
COMPANY MEETING:
Brasway, All Saints Church Hall, Walsall Road, Darlaston, 11.30
Ensor, The Chimney House Hotel, Congelton Road, Sandbach, Cheshire, 10.00
Glaxo Hldgs., The Whitbread Conference Centre, Chiswell Street, E.C., 11.30
Jones Stroud, The Donington Thistle Hotel, East Midlands Airport, Castle Donington, Derby, 12.00
London & Metropolitan, 20 Fenchurch Street, E.C., 11.00
MMI, 401 St. Johns Street, E.C., 12.00
Polypipe, Grand St. Ledger Hotel, Doncaster, 11.00
Second Alliance Tst., Meadow House, 64 Reform Street, Dundee, 12.30
BOARD MEETINGS:
Finals:
Attwoods
Hewtel Whiting
Jakarta Fund (Cayman)
Interims:
Baris
Brooks Service
Hunting
Nokia
Tharsis

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Border TV 1.6p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1997 £260.49
Britannia Bldg. Soc. Fltg. Rate Nts. 1993 £261.65
City of Swansea $13\frac{3}{4}$% Red. 2006 £6.875
Enterprise Oil $11\frac{5}{8}$% Uns. *Ln. 2016 £5.8125*
Gardiner 0.47p
Smaller Co's Inv. Tst. 1.2p
Warnford Invs. 4.5p

■ TOMORROW
Central American Bank for Economic Integration Fltg. Rate Serial Nts. 1994 $56.93
HSBC Prim. Cap. Und. Fltg. Rate Nts. (3rd Sers.) $46.32
Kobe Steel 5.6% Bds. 1996 Y136354
Marine Midland Finance NV Gtd. Fltg. Rate Nts. 1994 $13.42
National Australia Bank Und. Sub. Fltg. Rate Nts. $230.02
National Power 6.1p
News Corp. A$0.05
News Intl. 1.811
Practical Inv. Co. 2.2p
Prestwick Hldgs. 1p
Treasury 9% Ln. 2008 £4.5

■ WEDNESDAY OCTOBER 14
American Tst. 1.5p
Armitage Brothers 3.4p
Eurotherm 3p
Hewlett-Packard $0.2
Howard Hldgs. 0.5p
Independent Inv. Co. 0.5p
Kuala Lumpur Kepong Berhad M$0.05
Quadrant Intercontinental Fd. (European) $0.057
Do. (Intl. Bd.) $0.565
Slough Estates 3.1p

■ THURSDAY OCTOBER 15
American Brands 12$% Uns. Ln. 2009 £6.25
BAT Inds. 14.6p
BCE C$0.65
Bletchley Motor 4.4p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1999 £257.65
British Assets Tst. $4\frac{1}{2}$% (3.15% net) Prf. 1.575p
Do. 5% ($3\frac{1}{2}$% net) A Prf. 1.75p
Chrysler Corp. $0.15
Cleveland Place Hldgs. 6% Red. Deb. 1989/94 £3
Eldridge, Pope & Co. $6\frac{1}{4}$% Irrd. Uns. Ln. £3.125
Do. $7\frac{1}{2}$% Irrd. Uns. Ln. £3.75
Republic of Finland $11\frac{1}{2}$% Ln. 2009 £287.5
First Spanish Inv. Tst. 1.15p
Goode Durrant $3\frac{1}{2}$% Prf. 0.875p
Govett Strategic Inv. Tst. $9\frac{7}{8}$% Deb. 2017 £4.9375
Halifax Bldg. Soc. Fltg. Rate Nts. 1995 £257.65
Kawasaki Heavy Inds. 6% Nts. 1997 Y150000
Do. 6.15% Nts. 1999 Y153750
Lloyds Bank 5.9p
Manders Hldgs. 5% ($3\frac{1}{2}$% net) Prf. 1.75p
London Borough of Merton $11\frac{1}{4}$% Red. 2017 £5.625
Metropolitan Water Board Southwark & Vauxhall Water Co. 3% Deb. £1.5
Morgan (JP) $0.545
Motorola $0.19
Needler C$0.025
Occidental Petroleum Corp. $0.25
Pacific Gas & Electric $0.44
Pentos 0.7p
Pittencrieff 3p
Quaker Oats $0.48
Richards 4% (2.8% net) Pfd. 1.4p
Do. $5\frac{1}{2}$% (3.85% net) Pfd. 1.44375p
Royal Tst. Government Securities Fd. Inc. Ptg. Red. Prf. 1.3p
Smithkline Beecham A 2.075p
Smithkline Beecham/ Smithkline Beckman Corp. $0.05279
Treasury 10% Ln. 1993 £5
Wace 2.25p
Wereldhave Property Corp. $9\frac{1}{2}$% 1st Mtg. Deb. 2015 £4.75
Do. $10\frac{3}{4}$% 1st Mtg. Deb. 2015 £5.375

■ FRIDAY OCTOBER 16
Anglo American Indl. Corp. R1.1
City of Swansea 13R% Red. 2006 £6.875
Crown Eyeglass 4p
Evans Halshaw Hldgs. 3.6p
Fleming O'seas Inv. Tst. 2.5p
Genbel Invs. R0.19
Helical Bar 2.4p
Jones, Stroud Hldgs. 5p
Kakuzi Ksh0.75
Kyushu Electric Power $10\frac{1}{4}$% Bds. 2001 C$102.50
Alfred McAlpine 3p
Middle Witwatersrand (Western Areas) R0.05
Mori Seiki 5.65% Nts. 1996 Y155375
National Westminster Bank 9% Prf. Sers. A 4.5p
Do. Prf. Sers. A $0.49875
Norish 4.47p
Parambe 0.55p
Scottish Value Tst. 1p
State Bank of New South Wales 11% Nts. 1995 A$110
Treasury $2\frac{1}{2}$% IL £2.0535
YRM 2.35

■ SUNDAY OCTOBER 18
Province of Nova Scotia $11\frac{3}{4}$% Ln. 2019 £5.875

BUILDING CONTRACTS

Restoring historic landmarks

LAING STONEMASONRY has been awarded contracts for specialist masonry repairs at Durham Castle (above) and Berwick Old Bridge.

The castle project, awarded by Durham University, is phase two of a refurbishment programme and involves repairing and replacing eroded sections of the north terrace wall. The Grade I listed building is designated a World Heritage site and part of the £88,352 contract value is being paid by grants from the European Regional Development Fund. Work is due for completion at the end of January next year.

Northumberland County Council has awarded Laing Stonemasonry a £40,577 contract to carry out the sixth phase of the restoration of the Berwick Old Bridge.

Built in 1624, it is believed to be one of the oldest bridges in the country and has a Grade I listing. The phase six repairs, due for completion by the end of the year, will involve replacing six cu metres of stone on piers 10 and 11.

Steel works upgrading in Turkey

WALKER ENGINEERING of Telford, Shropshire, a subsidiary of Clayton, Son & Co (Holdings), the bulk storage design and build specialist, has won an order in excess of £11m to supply two gasholders for the Bregli iron and steel works in Turkey. The project is part of an ongoing programme to re-equip the plant to significantly increase capacity and conserve energy.

A feature of the gasholders will be the specialist equipment used for collecting and recycling gases to harness energy which is currently being wasted via flare stack burn-off. The scheme is designed to collect, boost and blend the gases, using two giant fans. This provides a mixture of a virtually constant calorific value for use in other plant facilities.

Mr John Landells, Walker's managing director, said: "The contract has been signed after the most rigorous analysis by the client of our ability to deliver a technologically advanced, energy-saving system. The payback period of just two years was also seen as critical."

London projects

ROOFF has secured a further five contracts, ranging from six to 12 months, with a combined value of over £6.5m. The company is constructing nine flats at Pellatt Grove, N22, and a day centre at Stanmore for Metropolitan Housing Trust; converting Furnival House, a hospital building at Colmeley Park, N6, into 120 student flats for Duoview Properties; constructing 27 housing units for Community Housing Association at Camden Gardens, NW1; and undertaking external refurbishment work for the Peabody Trust.

Scottish work for Barratt Construction

BARRATT CONSTRUCTION, the construction arm of Barratt Developments, has been awarded contracts worth in excess of £6m in Scotland.

The largest, worth £3.5m, is for a 125-bed hotel to be built at the Aberdeen Exhibition and Conference Centre for Protel (Aberdeen). In the same area, work will start shortly on a warehouse for C.K. Davie, and an extension to Osprey Electronics premises at Campus 1, Science and Technology Park.

Also in Aberdeen, a contract has been awarded by Booktwin for an extension and alterations to provide kitchens and 21 bedrooms at the Waterwheel Inn, North Deeside Road.

Further north at Port Henry, Peterhead, the company has started work on a box washing plant for the Peterhead Harbour Trustees.

A further contract has been awarded by Banff and Buchan District Council for the modernisation of 18 flats at Moray Road, Fraserburgh.

In central Scotland, a contract has been awarded for 16 flats at Loaning Road, Edinburgh by the Port of Leith Housing Association.

Portsmouth contractor wins £7m naval hq order

PORTSMOUTH-based WARINGS CONTRACTORS has beaten national competition to win a £7m Ministry of Defence design and build contract for a new headquarters building inside Portsmouth's naval base to house the combined staffs of the Second Sea Lord and the Commander in Chief Naval Home Command.

The Second Sea Lord is moving to Portsmouth to be integrated with the Chief Naval Home Command as part of the general restructuring of the Ministry of Defence, and the new 80,000 sq ft office complex will accommodate up to 520 staff.

Warings won the contract following a stringent evaluation of four contractors' submissions by the Ministry of Defence and its project managers. Mr Stuart Waring, Warings Group chairman, said: "We are delighted to have been chosen to build this truly impressive new headquarters for the Royal Navy, especially in our home town of Portsmouth."

Residences for Brunel students

NUGENT has been awarded contracts for both the public and private sectors totalling £10m. These include a £5m design and build contract for Brunel University to erect 400 student residences and a £2m contract for Co-operative Retail Services for 50,000 sq ft of car showrooms at Bedford.

Other contracts include major refurbishment works for the Victoria and Albert Museum and Imperial College and a £1m contract for work at Wormwood Scrubs prison

PEOPLE

Langdon: at centre of water industry

Janet Langdon, who takes up her position as director of the Water Services Association this month, says one of the attractions of the job was that "I wanted to do something different – and water is so important in people's lives."

Langdon, 52, joins at a high-profile time for the WSA, which represents the 10 large publicly quoted water and sewerage companies in England and Wales.

The companies are engaged in a tough debate with Ofwat, their financial regulator, the National Rivers Authority, the water standards watchdog, and the EC Environment Council about whether some water standards directives are unnecessarily and expensively high.

She will become director at the end of the month when the WSA's secretary, Michael Carney retires. Widely travelled in developing countries, she will spend the next few months crossing the UK to visit WSA members.

Langdon, who has lectured in chemistry at Wellesley College, Massachusetts, was previously director of the export division of GEC Alsthom, and has also worked at Shell, the National Economic Development Office and Distillers.

She says "one of my hobby-horses has been government-industry relations"; while at Shell she was seconded to the DTI.

Three years down the privatisation road the companies are increasingly diverging in investment and financing plans. She says "obviously you are not going to get a consensus, coming from the private sector I look on them as independent companies".

Midland board shuffle

Now that MIDLAND BANK is a subsidiary of the Hongkong & Shanghai Banking Group, its board is beginning to contract to fit along familiar lines in wholly-owned companies.

Three non-executives – Sir Peter Leslie, deputy chairman, Jefferson Cunningham, and Sir Eric Pountain – left the Midland board last week. Sir Peter is to be replaced as deputy chairman by Geoffrey Maitland Smith (left), chairman of Sears, and a Midland director since 1986. Charles Mackay (right), chief executive of Inchcape, joins the board as non-executive director on November 12.

The most significant appointment, however, is that of John Strickland, executive director of HSBC Holdings and the head of information technology in the group, as a Midland director from next January. Strickland is the architect of Hongkong Bank's world famous computer system which is reckoned to be among the most effective to be found anywhere.

His place on the board will presumably help him to carry out his pledge to integrate Midland's systems with those of its new parent group over the next five years, cutting costs and staff while making a drastic improvement in operating efficiency.

- Les Dunn, formerly md of Volex Accessories and Marbourn, has been appointed md of Crabtree Electrical Industries; David Norman, formerly sales and marketing director of Volex Accessories and Marbourn, has been appointed md of both; all three are HANSON subsidiaries.
- Roger Lanary, formerly director and general manager of Hamworthy Heating, has been appointed divisional md of combustion division of Hamworthy Engineering, a division of POWELL DUFFRYN.
- James Shaw, formerly group personnel executive with Associated British Foods, has been appointed group personnel director of AIR UK GROUP.
- Keith Egerton, chairman of Taylor Woodrow Property Company, has been appointed to the board of TAYLOR WOODROW.
- Rudolph Kalveks has been appointed director of corporate development and Peter Moxom director of human resources at BOWATER.
- John Amos has been appointed director and general manager of LMG Thermoplastics, part of LAWSON MARDON GROUP.
- Peter Royer-Collard has been appointed to the board of NEOTRONICS TECHNOLOGY.
- Tim Ward, formerly European director, personal sector with Barclays Bank where he was responsible for Barclays' personal banking strategy on the continent, has joined NATIONAL BREAKDOWN RECOVERY CLUB as md; he succeeds Ernest Smith, who became md of National Breakdown's parent, Green Flag, and chairman of National Breakdown in July.

Prosser: challenge at the core of trade unionism

Margaret Prosser has been appointed national organiser of Britain's biggest union, the TGWU. The post is the most senior to be held by a woman in that union and involves working with the general secretary and deputy general secretary on recruitment and organisation.

Prosser's new job means challenging the seemingly inevitable decline of trade union membership, but her experience as the TGWU's national women's secretary in the heartland of entrenched male attitudes should stand her in good stead.

Prosser, now 55, won a place at a private convent but at 15 left without qualifications to work in various offices. She had an early indication of the potential value of women's work when she found her wages as an accounting machine operator outstripped those of her labourer father.

Her working life was set back when in 1966 her husband Joe became paralysed. She nursed him for eight years while caring for three children.

Enforced experience of life on the welfare system led her to activism in the Child Poverty Action Group and from there to part-time working for an advice centre from which she completed a postgraduate diploma course in advice and information studies at North East London Polytechnic.

She gravitated to heading the Southwark law project, which she helped found and in 1983 began working for the TGWU as a local official.

Colleagues say she is down-to-earth, effective and unimpressed by her own status. She cites just one "shouting match" in the eight years she has worked at the TGWU's head office in London.

She is a stalwart member of the left-leaning walking group, the Red Ramblers: "Some call us pink, but I won't have it," she says. She is also an opera enthusiast, as is her taxi-driving son-in-law.

Christopher Lorenz explains how the new breed of managers can come to terms with a confusing world

Global executives walk a tightrope

When the gospel of "globalisation" first gripped western companies in the middle and late-1980s, many reacted crudely, as if national differences in markets and strategy suddenly mattered no longer.

It has taken them several years to realise that there is no single "correct" balance between global, regional and local strategies. Unlike most Japanese companies, they have found it hard to come to terms with the fact that the ideal mix varies not only across industries, but also inside them: between different businesses, product lines and even individual products within the same line. It also changes over time.

Some companies have still not got that message about their strategies. So it is not surprising that many of the laggards – plus some which should know better – are now making a similar mistake over the sort of organisational changes they need to achieve their global strategies.

The necessary changes include the re-design of structures, procedures, management career paths and, in most cases, the very tricky matter of organisational culture.

On the structural front, the key internal question – as distinct from external ones such as how to manage alliances – has been how best to alter the roles, and power balance, between three types of executive: global business (or "divisional") managers; national (or "country") managers; and functional (such as production) managers .

As far as career paths and culture are concerned, the much-hyped question for most companies over the last few years has been how to breed "global managers", or at least executives with what has become known in academic and consultancy jargon as a "global mindset".

Underlying both questions has been the universal need to streamline (or abandon) messy matrix structures in which power was shared – or, more often, fought over – between divisional, national and functional managers. In most multinationals, this traditional arrangement slowed decision-making and sustained (or created) whole tiers of costly head office jobs – both at the corporate centre and in each business. In today's competitive international environment, greater speed, leanness and cost-effectiveness are essential.

As a result, most companies which want to "go global" are swinging the balance of managerial power firmly towards the global divisional (or business) manager, and away from the national and functional managers. At ICI, Britain's leading chemicals group, and countless other companies, the divisions have been declared "prime". Once-mighty national managers have lost much of their power, as have – to varying degrees – the functional managers.

Where a company makes standard, commodity products which really are global, or speciality items where the demands of customers vary only slightly between countries or regions, a stark arrangement of this kind may be sensible. But in most cases such an all-out drive for global efficiency takes too little account of the need to retain responsiveness to national differences, or even to increase it. The "global first" approach also underplays the need to transfer skills and learning between national and product markets.

But how can one accomplish both these things without recreating a ponderous formal matrix, or – in the words of a now fashionable refrain within multinationals – retraining almost every manager to "think global, but act local"?

The answer is to do neither, according to two of the most influential academics in the field of international organisation, Christopher Bartlett and Sumantra Ghoshal. Nor is it to relegate once-star country managers and functional executives to bit-parts.

Instead, the answer is twofold, they argue in the latest issue of the Harvard Business Review*:

- to get away from the idea that there can be any such thing as a universal "global manager", and instead to breed specialists of all three types: country; functional; and global business (or divisional).
- and to confine to the upper part of the organisation most of the complexities and internal conflicts of balancing global, regional and local requirements. While top managers and some senior executives should operate in a sort of matrix – or preferably in a more flexible "network" – those lower down should have clear, single-line, responsibilities, performance measurements and reporting relationships.

One benefit of this arrangement, say the academics, is that most companies will need relatively few really "transnational" managers to implement their cross-border strategies. This is an important consideration since people with the necessary qualities are in short supply.

Floris Maljers, the co-chairman of Unilever, says it is this shortage, rather than one of capital or any other resource, which has become the biggest constraint in most efforts at globalisation. Maljers has an article in the same issue of HBR about his company's experience.

Outlining the roles and characteristics of their three types of "global manager", Bartlett and Ghoshal draw on the experience of executives in various companies, especially Electrolux, NEC, and Procter & Gamble, as well as Unilever.

The academics say there are three roles at the heart of a global business manager's job: strategist for his or her organisation; architect of its worldwide "asset and resource configuration"; and co-ordinator of international transactions.

Country managers, by contrast, "play the pivotal role not only in meeting local customer needs, but also in satisfying the host government's requirements and defending their company's market positions against local and external competitors". In other words, country managers should be much more than the ambassadorial ciphers to which many have been reduced.

Even more than country managers, functional executives have sunk to bit-part status in many multinationals. The academics use graphic language to describe the waste involved: "relegated to support-staff roles, excluded from important meetings, and even dismissed as unnecessary overhead, functional managers are often given little chance to participate in, let alone contribute to, the global activity of the corporate mainstream. In some cases, top management has allowed staff functions to become a warehouse for corporate misfits or a graveyard for managerial has-beens.

"Yet, at a time when information, knowledge and expertise have become ever more specialised, an organisation can gain huge benefits by linking its technical, manufacturing, marketing, human resources, and financial experts worldwide". In sophisticated transnationals, senior functional executives serve as linchpins in the process of worldwide learning, connecting their areas of specialisation throughout the organisation.

Bartlett and Ghoshal advocate some rotation between their three types of global specialist, whether through long-term appointments or membership of temporary teams and task forces. Unilever does both. The academics underplay the need for the relative power of the three types of manager to vary by industry, business and product line. But otherwise they provide invaluable advice on how to perform the ultimate organisational balancing act: reaping the benefits of global scale without losing innovation sparked by national differences – both in the marketplace and within the company.

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Accident prevention at a premium for local councils

By Richard Lapper

Every time a pedestrian has tripped over an uneven paving stone, Britain's local authorities have been used to passing on claims for twisted ankles to their insurance company. In most cases, that has been Municipal Mutual.

The multitude of claims, plus an epidemic of burning schools and a potential wave of claims from former residents of children's homes, is currently threatening the very survival of MMI. Last week it abruptly withdrew from the market, leaving some councils with no option but to close facilities to the public.

The immediate problem of councils' lack of cover has been overcome: other insurers have stepped in, but at a price. Councils are not only having to pay higher premiums, they are also being forced to change their approach to risk.

Risk management programmes, which include the installation of safety equipment and tighter operational management designed to reduce small claims, are common in industry and have already been adopted by some larger councils.

According to Ken Kennedy, risk and facilities manager at Surrey County Council, more local authorities may be forced to follow suit. "Risk management will be a "lever" which local authorities can use to negotiate lower insurance rates," says Kennedy, who chairs the recently-formed Association of of Local Authority Risk Managers.

"Funding risks through insurance alone just isn't an option any more," says Terry Sparkes, chairman of the Institute of Risk Management.

MMI insured 90 per cent of Britain's district, county and metropolitan councils, covering their buildings, vehicles and liabilities to employees and the public. The relationship was mutually convenient. Local authorities were highly loyal customers. Until relatively recently, MMI placed little demand on the councils to control their losses, offering comprehensive cover relatively cheaply.

Insurance companies stepping into the breach created by MMI's demise are likely to make much more demand on councils to control their risks and limit claims. "The first question insurance companies are going to ask local councils is 'what is your risk management strategy?'," says Kennedy.

Bigger county and metropolitan authorities - which spend between £5m and £10m annually on insurance premiums – are meeting claims of under £100,000 from their own resources and deploying risk management techniques to reduce the likelihood of claims.

Risk managers point to successes in a number of authorities. In Nottinghamshire losses from arson which grew sharply in the late 1980s, totalling £1.6m in 1989, have fallen since risk manager Bill Sulman introduced a prevention scheme in 1991. Sulman has spent £500,000 on security measures – better fencing, alarm systems and lighting – at vulnerable schools in inner city Nottingham.

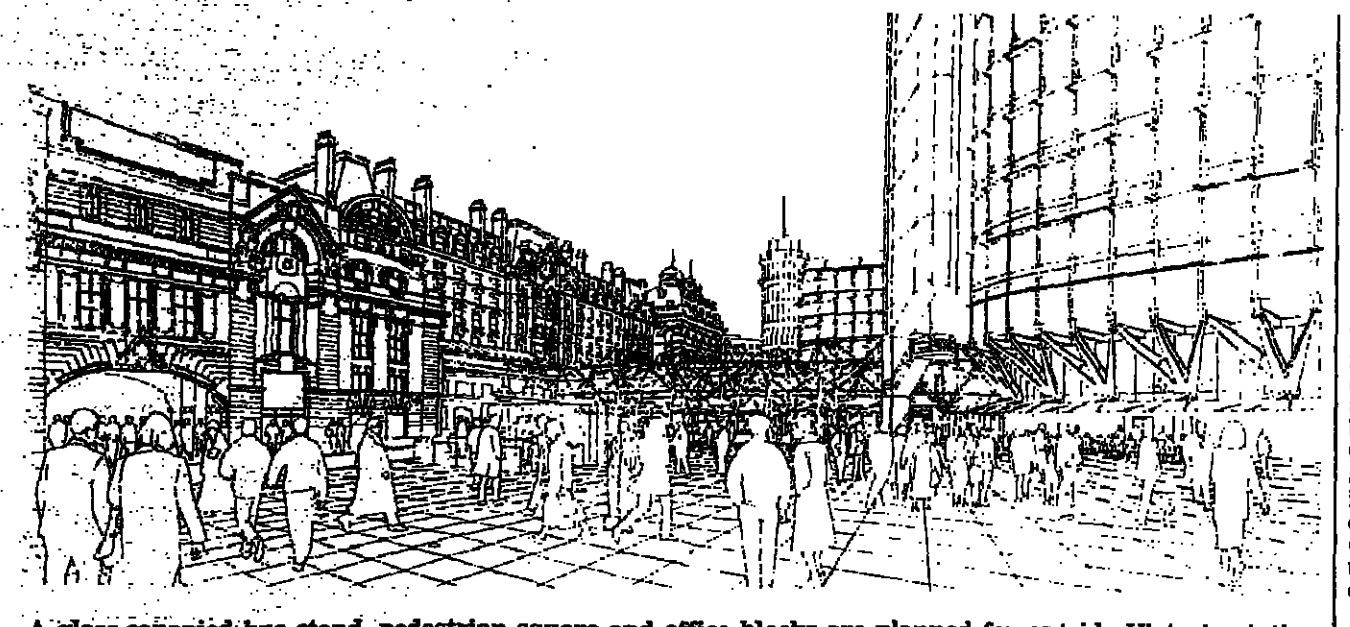
Cheshire County Council, which has also been badly hit by arson in its schools, has just completed fitting sprinklers to the Park Primary School in Runcorn, one of a number of schools to be set on fire last year.

Both Cheshire and Nottingham are also taking measures to reduce a steady trickle of small claims from local authority employees who have suffered back injuries and members of the public who have suffered accidents because of badly maintained roads.

David Bull, a risk manager who doubles as Cheshire's legal officer, says that under new insurance arrangements negotiated recently, the authority must meet the cost of most small claims itself, providing an incentive for managers to stop accidents happening.

"We are trying to end the tyranny of small claims which take up so much time. The handling of the claims can simply bleed the organisation of resources," he says. "We're getting people to think much more about the risks to which they are exposed. Accidents at work can be stopped by relatively minor changes."

Sulman warns that claims from people who have suffered from abuse when they were children in council controlled homes, have risen sharply recently. Victims of the "pin-down" disciplinary regime, for example, recently won settlements of £2m in Staffordshire.



A glass-canopied bus stand, pedestrian square and office blocks are planned for outside Victoria station

Architecture/**Colin Amery**

A misjudged vision

THE best kind of architecture is appropriate architecture. *But what is "appropriate"? The* word means fit, expedient, apt, suitable and belonging in its proper place. Propriety comes into it too – a sense of things being commensurate one with another. What seems to worry so many people about large out-of-scale and often brutal contemporary buildings is that they exhibit bad manners and do not make much effort to settle down appropriately with their neighbours.

These thoughts were prompted by the display and *publication of an exhibition of* proposals for the long overdue improvement of the forecourt of London's Victoria Station.

To me the model of these proposals is a demonstration of inappropriateness.

They are the work of Britain's excellent establishment modern architect, Michael Hopkins. Mr Hopkins has designed two office buildings to replace the present huddle of low and indifferent buildings on Victoria Street. The two buildings are the chief *ingredients of a scheme that is* intended to pay for the reorganisation of the tube station, the new glass canopied bus *stand and the pedestrian* square in front of the listed station façade.

Clearly the cost of all this very necessary sorting out of the interchange is high and that must be the reason for the 22 storey office tower that will "release the maximum area of land for the transport interchange and public spaces".

About the last thing Victoria needs is another office block. What is seen here is an accountants' exercise on how to pay *for transport improvements at* a time when there is not enough public funding. It is a technique that worked at Liverpool Street – but at Broadgate it was possible to think on a much bigger scale at a time when the building of offices actually made money.

The tower at Victoria will, like all of Mr Hopkins's buildings, have a certain cool elegance although its stepped profile unfailingly reminded me of the Trump Tower on New *York's Fifth Avenue. I doubt* whether it will have the razzmatazz interior of the Trump Tower.

As it is today, Victoria station provides a great sense of anti-climax when you arrive there, especially if you have just been whisked in high-speed comfort from Gatwick airport. It is not the station itself but the bizarre and extraordinary muddle that is presented to the arriving passenger. There are taxis, buses and a complicated tube station that seems to promise dirt and danger rather than an easy and elegant entrance to London.

The redevelopment proposals *are from a joint venture put* together by Greycoat Estates and London Transport. They replace a scheme that was prepared for the same site by the American architects Skidmore Owings and Merrill.

Mr Hopkins is a good modern architect. In London, as well as the modernisation of Lords cricket ground, Mr Hopkins was responsible for the conversion of Bracken House, former home of *the Financial* Times, and the interior design of this newspaper's new *editorial offices at Southwark* Bridge. He has designed the extension to the Houses of Parliament with the new *Westminster underground station that* is yet to be built. I am particularly looking forward to the new Opera House Michael Hopkins has designed at Glyndebourne which will open in 1994.

For Victoria, I can see the virtue of employing Mr Hopkins – an architect who has done what his clients asked him to do. But the underlying commercial thesis is wrong and has been forced upon London by the dire political and economic climate. Westminster City Council should put these *proposals on ice for a while.* There can be no call for more offices, which would overshadow Victoria station and do little for the area. Pragmatism has its place in life but London and Londoners deserve a bit more vision at Victoria – not another inappropriate commercial compromise.

The public can judge the plans for themselves at the exhibition which is on the station forecourt behind the bus station until October 23rd. Open Monday to Friday, 7.30am to 6.30pm.

Opera

Magnificent Porgy moves into the light

This magnificent production, one of the most valuable and meaningful in 20th-century British opera, arrives in London *to set the seal on what has already been,* by and large, a year of splendid Royal Opera achievement. It started life in 1986, at Glyndebourne. There, as the first British opera-house staging of Gershwin's opera, it proved a milestone in the history of the work – a work always highly popular since its first showing but not always equivalently highly rated.

At Glyndebourne – in a Trevor Nunn production conducted by Simon Rattle, designed by John Gunter (sets) and Sue Blane (costumes), and with a cast of *superlatively fine singing-actors led by* Willard White and Cynthia Haymon – *Porgy and Bess* finally threw off the shackles of its folk-opera, enlarged-musical or what-have-you status.

There it was demonstrated beyond argument as a "real" opera, its roots in popular sources (nothing new in the long and problematic history of opera) but its branches reaching out culturally far and wide. There the notion was finally laid to rest of a work somehow demeaning of the black people who perform in it. There it was shown to be, not flawless – any more than any other significant first opera is ever flawless – but so gloriously full of "felt life" that the flaws came to matter very little.

Now the production is re-created at Covent Garden – with Nunn and most of the original principals back at their stations, but with Andrew Litton replacing Rattle as conductor. More often than not, *deprived of the circumstances that* brought them to birth, productions borrowed turn out to be productions diluted *in their vision. This one is different.* It positively demanded to be seen and heard outside the Glyndebourne hothouse; it badly needed to be given again before a wider audience (which the large number of Covent Garden performances, including two sponsored for "non-typical" visitors to the house, plus a promised video recording thereafter, will make more possible).

As Friday's performance made plain, the production has indeed been re-created, not simply reproduced. People with still-*vivid memories of the Glyndebourne experience* may feel, as I do, that the much larger London theatre reduces the sense *of engulfment, of being sucked into an* operatic world so richly stocked in melody, word and action that it was a cruel come-down to have to leave the theatre at all. (The storm prayers, though still vibrantly sung by the special *Porgy* chorus, fail to lift the roof off as they did in Sussex.)

The length of the work and its episodic detailing seem to weigh rather more heavily in its later stages – but no doubt this is a direct result of the Royal Opera decision, badly ill-advised as it turns out, to break the three-act structure into two cumbersomely long halves separated by a single interval.

On the other hand, the larger theatre gives air to Gershwin's heavily padded scoring, and renders balance with voices *less of a constant trial of conductorial* skills. Mr Litton, in his house debut, makes the most of the house advantages: *he keeps the music light, rhythmically* forward and texturally well-ventilated, finds tautly "continuous" drama in Gershwin's format of recitative and song, and altogether proves himself a marvellously apt, idiomatically assured *Porgy* conductor.

The added space also aids the producer in clarifying even further the fine detail of communal life. The opening scene and finale (with its controversial breaching of the Catfish Row façade as Porgy throws his sticks aside and walks into the light) *particularly show the art of opera direction* at its most elevated: every strand of action filled with musical point and purpose, a bounty of sharply honed (but never stagey) individual characterisations forged into an organic ensemble. The broad comic insertions, part of what were once fiercely stigmatised (by Duke Ellington) as the opera's "lamp-black Negroisms", chime fitly with the tragedy.

Awe-inspiring new insights into their roles have been discovered by all the original principals – Marietta Simpson's brilliantly tough-tender Maria, Cynthia Clarey's gauntly imposing Serena, Gregg Baker's towering Crown and Damon Evans's chillingly intelligent, witty Sporting Life are only the foremost of too many names demanding to be mentioned as exemplars of this developmental process. The young English soprano Tinuke Olafimihan, new as Clara, bursts into flower with a ravishingly pure, bright-toned "Summertime"; Gordon Hawkins, a sturdy, attractively relaxed Jake, replaces Bruce Hubbard (who died last year tragically young).

But all pale before the tendernesses and subtleties revealed, the depths sounded and heights scaled – separately and mutually – by the occupants of the title roles. Miss Haymon's Bess moves from vulgar exuberance to heartrending quiet frailty with absolute authority; Mr White's Porgy is even darker in opening-scene misanthropy, more vulnerable and candid in happiness, more gut-wrenchingly heroic at the end. (Vocally, he sounded tired by the time that Everest of a top G in "I got to be with Bess" was reached, and no wonder.) At the centre-point of a production which makes opera seem the grandest and most ennobling of all the arts, this partnership forms an ideal pivot.

Max Loppert

Alastair Muir

Cynthia Haymon and Willard White

(Porgy and Bess, Royal Opera, Covent Garden: in repertory until November 11)

Theatre/**Andrew St George**

House in good order

Alastair Muir

Dinah Stabb

Garcia Lorca was killed on 19 August, 1936, by the fascist paramilitary Black *Squad. He was 38. He had finished writing* *La Casa de Bernada Alba* that June, concluding the folk trilogy he began in 1933 with *Bodas de sangre* and which he continued with *Yerma* in 1934; *Bernada Alba* was first performed in Madrid in 1945.

The Gate Theatre, Notting Hill, has staged a tense, powerful production, using Matthew Banks' sinewy translation of Lorca's all-women play. The small theatre refashions the claustrophobia of Lorca's *mis en scene*: a *hacienda*, walls dark in the midday heat, shafts of light striking into the gloom.

To start, the house of Alba is in black, mourning for Bernada's husband. Bernada *has a social station to maintain,* five daughters to marry. She tyrannises them: "I have to fight tooth and nail to keep them tame and decent." Inside, the daughters sew, plait, and mourn; outside, men pass by, singing, working: "needle and thread for the women, mule and whip for the men." According to custom, Bernada's eldest becomes betrothed; but the man loves the youngest daughter, Adela. The *middle daughter, Martirio, envies both.*

Outside swirls a violent, medieval world, with demands of fealty to church and society. A woman is stoned for bearing an illegitimate child. Everything out there proves Bernada right in protecting her daughters as she does. She may appear to *be a conduit for men's violence and sexu*ality rolling down the generations to swamp her daughters; but her viciousness is also her own. The unspoken issue is the oppression of women by men, and of women by each other. This speaks to the 1990s: for as gender becomes sect, great oppression is now gathering in the name of egality.

Katie Mitchell's intelligent, emphatic direction allows the play to express itself metaphorically. It speaks of marriage, sexuality, and the constraints and commit*ments of community. Bernada's house, iso*lated and xenophobic, is 1930s Spain, run on violence and tyranny. The malaise of the daughters suggests the deeper waste in Spanish society. The sexuality which smashes the social bonds hints at Lorca's own homosexuality.

Dinah Stabb as Bernada, Alexandra Gilbreath as Adela, and Kristin Hewson as Martirio act with great tact and assurance, and provide the play's hard core. Ben Livingstone (music) should have chosen something more Iberian-Catholic than *Bach's St Matthew Passion to punctuate* the acts.

La Casa de Bernada Alba, Gate Theatre, Notting Hill, (071 229 5387)

Tosca's careful brutality

Welsh National Opera's *Tosca*, directed by Michael Blakemore and conducted by Carlo Rizzi, is the company's second new production of the season. It is a carefully worked, thoughtful staging, well presented musically, and in style and approach light years away from WNO's recent *Elektra*.

The essence of Blakemore's approach to his first opera is faithful historical realism. In one sense it is almost super-real, *for Ashley Martin Davis's sets are domi*nated by vivid, larger-than-life icons. The torso of a gigantic figure of Christ and the hand of a huge Madonna menace the interior of Sant'Andrea della Valle in the first act, in which the Mary Magdalene in Cavaradossi's painting is shown baring her breast. Scarpia's apartment sports a statue of Bacchus, while the battlements of Act 3 are capped by a massive, swooping angel, avenging sword in hand.

Menace and oppression are omnipresent in this production, mingled with suffocating religiosity. Violence is ever visible. When a republican sympathiser rises to show the flag during the splendidly staged Te Deum at the end of the first act he is brutally clubbed to the floor; before Cavaradossi can be brought to his execution an earlier victim has to be cut down and stretchered away. Blakemore builds a thoroughly credible vision of despotic rule while sticking closely to the book and never calling for any feeble-minded transpositions of period or place.

The approach relies more heavily than usual upon the portrayal of Scarpia – had Peter Sidhom's performance delivered the *regulation cardboard villain the whole edi*fice could have collapsed into *grand guignol*. But Sidhom gives a wonderfully subtle characterisation, sung and acted with great suavity and intelligence, and only lacking a final ounce of vocal weight. It is easy to believe such a man has the cunning to operate this régime of savage repression and that he might cut a credible figure sexually too; the second act depicts not the usual manoeuvres of a repellent old lecher but something far more ambiguous and disturbing.

With a more distinguished Cavaradossi there really would have been a teasing polarity. During the tour of the production there will be two Cavaradossis and no less than four Toscas; Dennis O'Neill should have sung at Saturday's opening but was injured and replaced by Maurizio Saltarin. He made a plausible Italianate sound but hardly began to phrase meaningfully, breaking lines and taking breaths wherever he saw fit and bringing no life to the role whatsoever.

His Tosca this time was Suzanne Murphy (the other members of the quartet will be Marion Vernette Moore, Christine Bun*ning and Anne Heath-Welch). Murphy is a* tried and trusted Puccini singer in Wales and utterly dependable here, never vocally thrilling but cutting a splendid figure. If her duets with Saltarin barely reached blood heat it was not her fault nor that of Rizzi, who conducted a beautifully buoyant account of the score, full of airy textures and athletic rhythms. The intensity of the drama was never to be doubted.

Andrew Clements

Tosca, WNO, New Theatre, Cardiff; touring to Oxford, Bristol, Swansea, Birmingham, Liverpool, Southampton

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw 20.15 Charles Mackerras conducts Orchestra of the Age of Enlightenment in works by Mozart, Mendelssohn and Schubert. Wed, Thurs and Sun: Riccardo Chailly conducts Royal Concertgebouw Orchestra. Fri: Peter Gulke conducts Hague Philharmonic. Sat afternoon: Edo de Waart conducts Mahler's Fifth Symphony. Sat evening: Edita Gruberova sings opera arias. Sun: Alfred Brendel piano recital (6718 345). Tomorrow and Wed in Beurs van Berlage: Howard Shelley conducts Netherlands Chamber Orchestra in works by Mozart, Elgar, Britten and Malcolm Arnold (6270 466)
Muziektheater 20.00 Offenbach's Les brigands (runs till Oct 28, next performances on Thurs and Sat). Tomorrow, Wed, Fri and Sun: Dutch National Ballet in Sleeping Beauty (6255 455)

■ BERLIN

THEATRE
Maxim Gorki Theater is staging a new production of Ghetto, a controversial 1984 play in which Israeli author Joshua Sobol depicts the efforts of Jews to preserve their cultural identity in wartime Germany. First night on Wed (2082 783). *Peter Ustinov* gives a one-man show tomorrow at Schiller Theater (3126 505). Schlosspark Theater has a new production of Dürrenmatt's The Visit directed by Alfred Kirchner, opening on Sun (7931 515). Deutsches Theater has Thomas Langhoff's Vienna Festival production of Hofmannsthal's political tragedy The Tower (2871 225). The Schaubühne has The Lonely Road, Arthur Schnitzler's portrait of late 19th century Viennese society (890023)

MUSIC
Philharmonie On Wed, Fri and Sun, Claudio Abbado conducts Berlin Philharmonic *Orchestra* and Radio Chorus in semi-staged performances of Rossini's Il viaggio a Reims, with an *all-star* cast including Samuel Ramey, Ruggero Raimondi and Cheryl Studer (2548 8232)
Schauspielhaus Milan Horvat conducts Berlin Radio Orchestra and Chorus *tonight* in works by Falla, Chavez and Beethoven. Sat, Sun afternoon and Mon: Hermann Prey sings German Lieder. Sun evening: Gary Bertini conducts works by Brahms and Berlioz, with piano soloist *Rudolf* Buchbinder (2090 2156)

OPERA/BALLET
Deutsche Oper Tomorrow: Tosca. Wed: Stravinsky ballet evening *with choreographies by* Balanchine and Bejart. Thurs: Die Zauberflöte. Fri: Rigoletto. Sat: Béjart's Ring Round the Ring. Sun: Tannhäuser with René Kollo (also Oct 25). Oct 20, 23: Le nozze di Figaro with Marie *McLaughlin and Lucio Gallo* (3410 249)
Staatsoper unter den Linden On Thurs and Sat, René Jacobs conducts Graun's Cleopatra e Cesare, the opera which opened the Staatsoper 250 years ago. Fri: Ariadne auf Naxos with Reiner Goldberg as Bacchus. Sun: Nureyev production of Sleeping Beauty. *Oct 25: Daniel* Barenboim conducts first night of Harry Kupfer's new production *of Parsifal (2004 762)*
Komische Oper This week's performances begin on Thurs *with Die Zauberflöte. Fri:* Rigoletto. Sat: Henze's ballet Undine. Sun: Le nozze di Figaro *(2292 555)*

■ MILAN

Teatro alla Scala 20.00 Ballet of La Scala presents Cristoforo *Colombo, choreography by* Alberto Mendez, music by Donizetti. Daily except Sun and *Mon till Oct 22. Next Mon:* St Petersburg Philharmonic Orchestra. Oct 25: Cecilia Bartoli *recital. Oct 27-31: Nutcracker* (7200 3744)

■ NEW YORK

OPERA
The world premiere of Philip Glass' new Columbus opera The Voyage, with a libretto by David *Henry Hwang*, takes place tonight at the Metropolitan Opera. Bruce Ferden conducts a staging by David Pountney, designed by *Robert Israel, and the cast* includes Tatiana Troyanos and Patricia Schuman. Further *performances on* Oct 16, 21, 24, 28, 31. This week's repertory also includes Madama Butterfly, Falstaff and Un ballo in maschera. Next Mon: Tosca with Luciano Pavarotti, repeated on Oct 24, 27, 31 and Nov 4 (362 6000)

CONCERTS
Tonight at 20.00 in Carnegie Hall, Rafael Frühbeck de Burgos conducts the National Orchestra *of Spain in works by Turian,* Albeniz, Falla and Ravel. Fri: Heinz Holliger is oboe soloist *with Camerata Bern.* Sat and Sun: Charles Dutoit conducts Montreal Symphony Orchestra, *with Cecilia Bartoli* (Sat) and Shlomo Mintz (Sun). Oct 19 and 21: Riccardo Muti conducts *Verdi's Requiem (247 7800).* Erich Leinsdorf conducts the New York Philharmonic Orchestra in a *Stravinsky programme tomorrow* at Avery Fisher Hall. Wed: Lincoln Center Jazz Orchestra. *Thurs, Fri afternoon, Sat and next* Tues: Garrick Ohlsson plays Grieg's Piano Concerto. Oct 22, 23, 24, 27: *Masur conducts* Beethoven. Oct 28: Roger Norrington conducts the *Orchestra of St Luke's* (875 5030)

DANCE
Martha Graham Dance Company can be seen at City Center daily from tomorrow till Sun, followed by Paul Taylor Dance Company from Oct 27 till *Nov 8* (131 West 55th St, between Sixth and Seventh Avenues. Call City Tix *581 1212). Elisa King and Dancers* give the New York premiere of Impressions, choreographed by King and Doug Varone, from Wed till Sat at St Clement's Church (423 West 46th St, 924 0077)

■ VIENNA

OPERA
Staatsoper *On Wed, Christoph* von Dohnanyi conducts the first night of Adolf Dresen's new *production of Das Rheingold,* with a cast including Robert Hale, Siegfried Jerusalem, Kurt Rydl *and Heinz Zednik* (also Oct 18, 21, 25).

This week's repertory also *features Maria Stuarda* on Thurs with Baltsa and Zampieri. José Carreras sings in La traviata on Oct 20 and 24 (51444 2960)

CONCERTS
Musikverein Alfred Brendel gives a Beethoven *recital* tomorrow. Thurs, Fri: Vaclav Neumann conducts Austrian Radio Symphony Orchestra in works by Franz Schmidt, Gottfried von *Einem and Dvořák.* Sat afternoon and Sun morning: André Previn conducts Vienna Philharmonic. Sat and Sun evenings: Ralf Weikert conducts Tonkünstler Orchestra in works by Weber, Mahler and Bruckner.

Sat and next Mon in Brahms-Saal: Thomas Hampson song recital. Sun morning and Oct 25: Andras Schiff Schubert cycle. Oct 28: Frans Brüggen conducts Orchestra of the 18th Century (505 8190)
Konzerthaus Wed and Thurs: Eliahu Inbal conducts the Vienna *Symphony Orchestra in* Shostakovich's First and Third Symphonies. Sun: Frank Peter Zimmermann plays Beethoven violin sonatas. Next Mon: Ann Murray song recital. Oct 25: concert performance of Giordano's Fedora with Renata Scotto. Oct 31: Claudio Abbado conducts Gustav Mahler *Jugendorchester (712 1211).* Several of this week's concerts are linked by the theme of Satie *and Les Six: Heinrich Schiff gives* a cello recital on Sat and Jesus Lopez-Cobos conducts the Lausanne Chamber Orchestra on Sun. Christa and Kurt Schwertsik give a Satie cabaret tomorrow at Moulin Rouge, Walfischgasse 11 (505 6356)

● Peter Williams gives an organ recital featuring music by Tallis, Byrd, Purcell, Stanley and other British composers at St Michael, Michaelerplatz, on Sun at 19.30, followed by Gustav Leonhardt next Mon.

THEATRE
A new production of Edward Bond's The Sea opens at the Volkstheater on Sun (932776). Elisabeth, a new musical about the child bride of Emperor Franz Joseph, runs daily except Wed at Theater an der Wien (588 30265). This week's repertory at the Burgtheater and Akademietheater includes Claus Peymann's production of Macbeth, Dürrenmatt's The Visit and Brecht's Baal (51444 2218)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday October 12 1992

Bundesbank's waiting game

THE BUNDESBANK has emerged from the foreign exchange turbulence of the past month with its international credibility fully restored. Sterling, the French franc and any other pretenders to the D-Mark's anti-inflationary throne have been put firmly in their place. But at home, the Bundesbank's position is far less comfortable. Until Mr Helmut Kohl's solidarity talks bear tangible fruit, the Bundesbank must remain unyielding. Official German interest rates have now been too high for too long. But they may have to remain high for a while longer.

The Bundesbank has performed its foreign exchange balancing act with great skill. It has kept official interest rates high, offering only a modest cut in the discount rate which has been more than offset by a trade-weighted appreciation of the D-Mark. But heavy intervention to support the franc has caused short-term money market interest rates to fall by almost a full percentage point since their August peak, allowing a number of European countries to cut their interest rates too.

Blunt instrument

Yet Germany's domestic imbalances are more than the Bundesbank's artistry can handle alone. Loose fiscal policy continues to stoke up domestic inflationary pressure outside the traded goods sector. But monetary policy is proving to be a very blunt instrument with which to deal with this service sector inflation. The rapid growth of the distorted broad money aggregate only confirms the resilience of publicly subsidised spending and investment to high interest rates.

The Bundesbank may choose to ignore this broad money overshoot but it cannot ignore the underlying inflationary pressure. Private service output grew by 5 per cent in the year to the second quarter and service sector prices are rising at an annual 5.2 per cent, explaining why consumer price inflation is still creeping up. The new value-added tax, to be introduced in January, will also raise consumer price inflation and risks feeding into wage demands.

The longer that the Bundesbank is left alone to deal with these problems, the greater the risks. High interest rates and a strong D-Mark already have German industry in a vice: industrial output grew by just 0.8 per cent in the year to the second quarter, orders are depressed and profits are squeezed. The last thing that Germany needs is a deep recession in the traded goods sector which pulls the rest of the economy down with it and pushes the fiscal deficit out of control.

Veiled promises

Yet the Bundesbank cannot move unless there is an offsetting tightening of fiscal policy and evidence that wage demands will moderate over the coming year. Veiled promises of compromises to come are not enough.

The rest of the German political establishment must shoulder its share of the burden. Mr Kohl must propose higher and more progressive income taxes to close the fiscal deficit. The unions must agree to zero real wage growth in west Germany based on an inflation rate next year of no more than 3 per cent. The employers, with union agreement, must scrap the misguided plan for wage convergence between the eastern and western länder.

Only then will the Bundesbank be right to yield. For now it has no choice but to leave the discount and Lombard rates unchanged, however unpopular both in Germany and in Europe. Germany's European partners already have good reason to feel aggrieved. But they should address their complaints to Bonn.

Danish dilemma

IN SEEKING to resolve the conundrum left by its rejection of the Maastricht treaty in June, Denmark seems to have taken the advice of a celebrated former counsellor at the Danish court. The adage of Shakespeare's Polonius – "Give every man thy ear, but few thy voice; take each man's censure, but reserve thy judgement" – runs through the 251 pages of the long-awaited white paper published in Copenhagen on Friday.

The document assembles a list of eight options for Denmark's relationship with the EC. Yet it pointedly fails to give any recommendation on the course the country will actually take. That will be worked out in negotiations both with the Danish opposition parties, and with the other 11 EC partners – a procedure aiming to find a compromise capable of being approved in a new Danish referendum next year.

Some of Denmark's objections to Maastricht – for instance, its request for clearer definition of how the "subsidiarity" principle will be applied – seem likely to end up as welcome additions to the treaty. Other points, however, if appended as riders effective for all EC members, could end up making the document more rather than less opaque in both in its political aims and its areas of practical application. Denmark already has what amounts to an "opt-out" clause on economic and monetary union. Under the deal last December, the third stage of Emu would not come into force for Denmark unless it was agreed in a separate referendum.

Denmark now wants additional safeguards to prevent it from being press-ganged into a future European defence community, as well as to avoid lowering its high standards of environmental and social protection. Considerable legal and political complexities still lie ahead. One of the most intriguing of the eight options presented on Friday is one under which Denmark could ratify the treaty subject to a time-limit. This would allow it to withdraw later if the Community developed in a manner deemed prejudicial to Danish national interests.

It is hardly surprising that, in their initial reactions, officials in Brussels are taking a distinctly cautious view of the chances of agreeing a workable compromise between Copenhagen and the other 11. The EC as a whole has to steer a mid-course between the general desire to avoid wholesale renegotiation of the treaty, and the necessity to find some means of Danish ratification to allow Maastricht – with appropriate amendments – to come into effect.

Denmark has its own dilemma. A large majority of the Danish electorate, according to opinion polls, does not want to opt out of the EC as it stands. And the Danes want to remain as firmly as possibly associated with the EC of the future – if only to maintain the degree of political influence over its development which they have so evidently wielded since the night of June 2.

Negotiating a solution to the "Danish problem" will require considerably more diplomatic and political skills than the EC has displayed during the Maastricht process so far. The only reason for being even moderately sanguine is that, unless they come up with an escape route, EC politicians will find themselves accused, still more than today, of furthering the cause not of European integration, but of European disarray.

Sunday trading

LAST WEEK'S announcement that the government will bring forward proposals to reform the Sunday trading laws is welcome, if long overdue. Every week, millions of consumers vote with their feet for the convenience of Sunday trading. Many of the stores which oblige them flout the law to do so, while the the government blames confusion over a possible clash between the Shops Act and the Treaty of Rome for inaction.

Now the government says that it will frame new legislation, with measures to protect the rights of shopworkers who do not wish to work on Sundays. The latter will do much to ease opposition from those who feared that shopworkers would be dragooned into Sunday working against their desire or principles.

However, there is still no clarity over the form of the new legislation. A menu of options will be put before parliament to find a consensus on this thorny issue. That menu will not include complete deregulation of shopping hours, the attempt at which in 1986 led to defeat in the Commons. It would be undesirable, however, if partial deregulation led to new and equally unworkable restrictions on Sunday trading which were also widely flouted.

And the leisurely timetable envisaged means that the new legislation is unlikely to be in place much before 1994. Not only will that leave millions of Sunday shoppers and thousands of stores which serve them in legal limbo. It will also allow the alliance of sabbatarians and shopworkers' unions to mobilise their undoubtedly effective campaigning skills. Swift legislation with copper-bottomed protection for those who do not wish to work on Sundays would be the preferable approach.

EC members are pinning their hopes on subsidiarity to calm fears about European integration, writes **David Gardner**

Pandora's box or a panacea

Subsidiarity is an unlovely word of uncertain meaning. Yet virtually all EC leaders profess to believe it contains magic potent enough to bring European integration out of arguably the worst crisis of confidence it has faced.

But when European Commission president Jacques Delors, as much as his erstwhile foe Lady Thatcher, President François Mitterrand of France, no less than UK prime minister John Major, all discern extraordinary properties in subsidiarity, there is a *prima facie* case for wondering whether it is more snake oil than silver bullet.

Although subsidiarity in essence means that the EC should act only when measures taken nationally or locally would be ineffectual, it is being sold as an all-purpose remedy:

- To recapture Danish voters' support for Maastricht, which they narrowly rejected in June;
- To persuade Europhobes in the UK that national governments will be – as British foreign secretary Douglas Hurd put it last week – "firmly in the driving seat" in the European Union blueprinted by Maastricht;
- To clip the wings of the Commission in Brussels, which has been demonised as a Eurocracy hungry for power and out of control;
- To proclaim that EC decisions will be brought closer to the people – although this impression is frequently given by coating the principle of subsidiarity with the more subversive ideas of open decision-making and strengthened democratic accountability. And it is not clear more democracy is on offer.

Last week in Luxembourg, foreign ministers of the 12 had a first stab at agreeing on the procedures through which to apply subsidiarity, while postponing substantive discussion on what it means until the emergency summit of EC heads of government at Birmingham on Friday.

After then, it should become clear whether subsidiarity is anything more than a turf battle, with national governments trying to soothe public opinion into believing that if they rein in an interfering, pettifogging Brussels bureaucracy, all will be well. "National and European bureaucrats can clearly mark out their territory," as one Dutch diplomat put it, "but that doesn't tell you where the people come in."

On the evidence so far, moreover, subsidiarity may end up causing as many Euro-headaches as it cures. Already there is concern that it could: undermine the single market, due to be completed by the end of 1992; roll back achievements in EC-wide environmental, regional and social policy; and upset the balance between big and small states which is part of the basic chemistry of the Community's post-war success.

Most EC governments, however, facing a backlash against "Europe" at home, have reached for the easiest scapegoat – the Commission in Brussels. While understandable, and not altogether unmerited, this is disingenuous.

The Commission is peopled by true believers. A senior official admits it has "tended to conduct itself like a commando operation". Like most bureaucracies it has stretched its powers. But it has not usurped them.

The EC's basic power mechanism is that the Commission, nominated by member governments, proposes, the directly-elected European Parliament advises and can sometimes amend, but *only* the Council of Ministers – the elected, national ministers of the 12 – can decide EC law.

Most EC measures are taken at the behest of member states, even though the Commission has sole right to propose. This monopoly right bestows power but also vulnerability. Governments regularly pass the buck to "Brussels" for unpopular or misfired measures, and evade opprobrium for suggestions they make, which if they came from the Commission, would be seen as interference. In the last year for instance, the Commission has twice refused Council invitations to formulate an EC dietary policy – an idea at least as intrusive as the apocryphal Euro-condom Brussels supposedly advocated.

Some governments agitate for measures their partners regard as intrusive. The UK, a leading belligerent for subsidiarity, wants strict enforcement of EC competition rules which frustrate French efforts to operate an industrial policy. The British government has had bruising encounters with Brussels on EC environment regulations, but still wants an EC inspectorate to ensure countries like Italy and Portugal observe the rules. Denmark, for its part, fears EC environment policy might dilute its high green standards, and wants it strengthened.

The outlook could be worse, paradoxically, for regional and social policy, two rare areas in which the EC partly practises the "bottom-up" approach subsidiarity supposedly calls for. EC regional funding in backward and industrially stricken areas elicits decision-making and initiative by regional and even municipal governments, which put forward the projects and help finance them. This has irked national governments in the UK and even federal Germany, because the Commission is to an extent by-passing them. As main budgetary contributors to this EC spending, the biggest after agriculture, they increasingly question its validity.

But a much more fundamental issue was raised by last month's attempt by the most powerful member states, Germany, the UK and France, to dilute the Commission's sole right to propose. As ambassadors of the 12 worked out how subsidiarity could be applied, these "big three" pushed for a formula whereby the Commission would have to submit its proposals to member states for scrutiny at the draft stage.

Their nine partners – even the discreet minutes of these meetings show – saw this as a naked power-grab. Given that subsidiarity is partly a sop to the Danes, it was ironically the smaller countries which were particularly concerned their bigger partners would get a lockhold on the Commission, and tilt legislation in their favour. The fear is that Brussels would have to clear its ideas with the big countries because they hold nearly two-thirds of Council votes.

"The smaller countries rely on us to defend their interests," said one senior Commission official. "Without a Commission which performs, their stake in Europe is devalued."

The ambassadors' compromise, likely to go to Birmingham, is that any state can object to Brussels proposals by invoking subsidiarity, but would need the support of six of its partners to block them. This would "force the Commission to think twice before coming up with something", said a Dutch diplomat, "but member states will not be able to force their opinions on the Commission".

Mr Delors himself partly regained the initiative at the Lisbon summit in June. Since then, the Commission has been screening its activity in the light of subsidiarity, and attaching a "recital" to its proposals explaining why action at Community level is needed. Member states should now have to justify any complaints of interference in the same terms.

This is still a recipe for squabbles, rather than a clear division of powers on the federal model. It is not the 10th Amendment to the US Constitution, which reserves all powers not delegated to the federal government to the states, much less Germany's constitution, which vests all power in the Länder except as prescribed in Article 30 of the federation's Basic Law.

"You could give the US constitution to a 10-year old," says one senior Commission official, "and they would understand it; whereas the Maastricht treaty is understood only by those who have been to a French law school."

Unlike the US or Germany, the EC (and European Union foreseen by Maastricht) is only a quasi-federation. Moreover, unlike a real federal system, it was put together back-to-front. Until now the Community has often preoccupied itself with the little, niggling things – allowable levels of lawnmower noise and pig manure, or quality standards for headed cabbages, for instance – while the heart of any federation, economic and monetary policy, and foreign and defence policy, has been jealously reserved to national governments.

The EC action may be answering requests from member governments, which do not trust each other to flatten their part of the level playing field called for by the barrier-free single market. Yet the measures often look at first glance like what a local council, let alone a national government, should be doing, rather than a remote, and moreover "foreign" bureaucracy.

Much of the opposition to Maastricht has been to the often intrusive 282 directives creating the single market, rather than the contents of the treaty. Nevertheless, the Commission and member governments have done precious little to dispel people's fears that Maastricht means greater centralisation and loss of national identity. There would seem not to be enough either in the treaty or the tricky notion of subsidiarity to reassure them.

Maastricht gives the European Parliament in Strasbourg the right to veto laws passed by majority vote in Council, partly to compensate for the loss of national veto, partly to bolster the role of directly elected legislators. But Europe's parliament has yet to convince citizens it is of use to them.

The main extensions of EC powers in the treaty, furthermore, could reduce accountability and make decisions more opaque. The two new "pillars" to the main EC treaty – a common foreign and eventually defence policy, and co-operation on justice and internal security issues ranging from drugs to immigration – are inter-governmental, outside the EC remit. Member states will act jointly, but on present arrangements outside effective oversight of either national parliaments or Strasbourg. The Danes, whose Folketing keeps the closest watch on the EC but also wants more powers for the European Parliament, have a point. Unless subsidiarity turns out to mean more democracy, the treaty is not democratic enough.

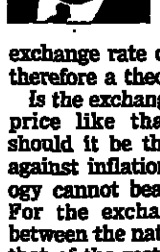
Ideas to staunch the leakage of accountability, ranging from opening up Council law-making to public scrutiny, and a greater role for national parliaments, are getting a hearing but not yet hardening.

The debate is still stuck on subsidiarity – at the moment not much more than a piece of molten plastic on which EC leaders otherwise at cross-purposes can stamp their own political seal.

But this does not deny the force of Mr Delors' recent, partly self-critical observation to an audience of businessmen, that "Europe began as an elitist project [in which it was] believed that all that was required was to convince the decision-makers. That phase of benign despotism is over."

Samuel Brittan

Sense on sterling



Over a decade ago I published How to End the Monetarist Controversy, which resolved the issue to my satisfaction if not of the economics industry. I will now attempt a similar service for the exchange rate controversy. This is therefore a theoretical article.

Is the exchange rate just a market price like that of tomatoes, or should it be the anchor for policy against inflation? The tomato analogy cannot bear too much weight. For the exchange rate is a link between the national price level and that of the rest of the world. If the price of tomatoes falls by half, there need be no sizeable effect on inflation. If sterling falls by 50 per cent a large number of UK prices will eventually double. This is most obvious with goods and services which face competition in international and domestic markets; but the effects will spread more slowly towards the sheltered sectors.

What then is the case for flexible exchange rates? I have tried to illustrate it in the accompanying chart in terms of a hypothetical path for the sterling/D-Mark rate over the 1990s. The argument for flexibility is that there are various shocks which can be absorbed by a movable exchange rate, so long as Germany remains committed to price stability and the depreciation of sterling in the early 1990s is offset by a later appreciation.

Letting sterling sag against the D-Mark imparts a deflationary shock to Germany to counter the inflationary strains of unification, but one which can be allowed to ease off as time goes on. It also allows a temporary easing of British monetary policy so long as output and employment in the UK are lower than necessary to "bear down on inflation". The UK can also offset the effect of a weak dollar on its overseas competitiveness by allowing sterling to fall as well and then tightening policy as the dollar recovers. These are but topical examples. The line marked "ideal scenario" exhibits short-term flexibility combined with long-term stability in the sterling/D-Mark exchange rate.

The same arguments can be applied to the regions of a country. Northern Ireland or eastern Germany could have their own currencies which could be temporarily allowed to depreciate without much permanent inflationary effect so long as the depreciation eventually comes to an end.

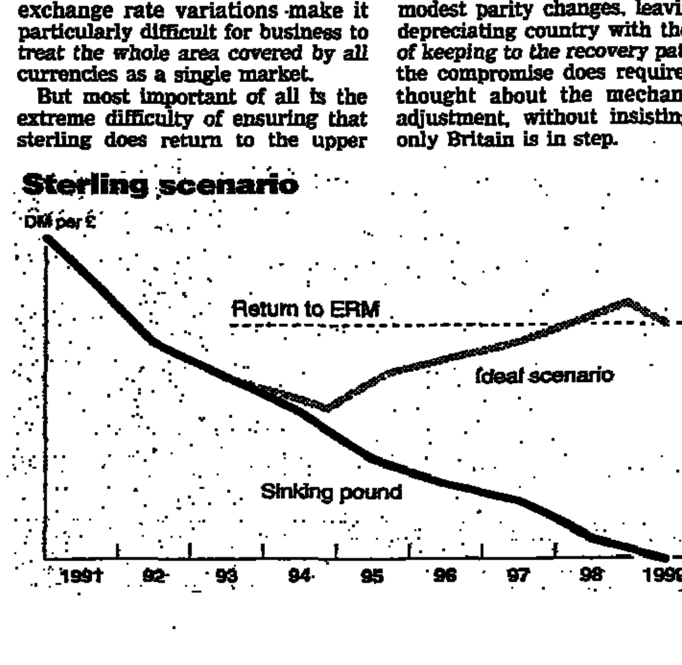
What then is the snag in a multiplicity of fluctuating currencies? There are transactions and nuisance costs. More important is that that no one knows the true position of the floating rate paths I have glibly sketched. Unpredictable exchange rate variations make it particularly difficult for business to treat the whole area covered by all currencies as a single market.

But most important of all is the extreme difficulty of ensuring that sterling does return to the upper line on the chart rather than move into a vicious, if slow-motion, circle of inflation and depreciation. The danger might be less for another country with a better inflationary record. A specific danger of the UK Treasury strategy of "taking sterling into account" without a specific target is that a series of policy judgments, each defensible in itself, eventually takes sterling along the "sinking pound" line, as indeed happened in the mid-1980s when such a policy was in force.

The fixed exchange option rate is shown in the "return to ERM" line at, say, DM2.6. In exchange for the loss of flexibility it does ensure the achievement and maintenance of German-type rate of inflation, which has no adverse effect on growth and jobs once people have become accustomed to it.

There is nothing to prevent a compromise such as going back to the original ERM idea of occasional modest parity changes, leaving the depreciating country with the onus of keeping to the recovery path. But the compromise does require more thought about the mechanics of adjustment, without insisting that only Britain is in step.

Sterling scenario



Courting the attentions of the Old Lady

With the imminent publication of a report into the BCCI affair, UK banks are favouring tighter regulation, says Robert Peston

An odd thing has been happening to the relationship between the Bank of England's supervision department and *the chairmen of big UK banks*.

Several chairmen have privately expressed the view that *the Bank should adopt more* aggressive tactics in the way it monitors the soundness of banks – an apparent case of turkeys voting for Christmas.

Until recently there was a consensus among bankers that their non-adversarial relationship with the Bank works well. But now some are suggesting *that it would be a useful discipline if the supervisors were more interventionist* – their lenders, for example, might have shown more caution in the late 1980s if subject to greater Bank scrutiny.

The City-wide discussion on banking supervision has been prompted by press accounts of *Lord Justice Bingham's* forthcoming report into the role played by the UK authorities prior to the closure of the Bank of Credit and Commerce International in 1991. This long-awaited report is likely to be published next week.

The BCCI affair probably does not point to serious flaws in the law relating to bank supervision. It is the implementation of the law which *appears unsatisfactory*.

The main purpose of banking supervision is to protect depositors. At the heart of the 1987 Banking Act is the requirement that no one should take deposits from the public without being authorised by the Bank of England.

In deciding whether to give this authorisation, the main issue for the Bank's supervision department is whether a *bank is financially sound* according to a set of standards described in general terms in the act. The detailed description of the standards are enshrined in a statement of principles drawn up by the Bank of England itself.

BCCI scandal: Lord Justice Bingham, left, and Brian Quinn, head of banking supervision at the Bank

There are at least two BCCI episodes which indicate flaws in the UK supervisory system. In the first, during the spring and *summer of 1990*, the Bank should probably have become more directly involved in an attempt to rescue and reorganise BCCI.

At the time, Price Waterhouse, BCCI's auditor, had passed to the Bank details of BCCI transactions which were either "false or deceitful", in PW's words. The Bank, which had long mistrusted BCCI, insisted at the time that the bank would only be allowed to *continue in business in the UK if it received a substantial* injection of new capital and if its structure was reorganised.

This new capital was promised by Abu Dhabi, the Gulf emirate, which also gave a commit*ment to reorganise BCCI*. At the time it may have been justifiable for the Bank to allow BCCI to continue trading, in the interests of protecting depositors, who would have incurred heavy losses if the bank had been wound up.

But in view of BCCI's questionable past and parlous financial condition, it might have been advisable for the Bank to place its own representatives into BCCI to ensure *that the rescue took place efficiently and speedily*. At the least, senior Bank supervisors should probably have established close *contact* with high-ranking Abu Dhabi officials.

It is thought highly likely that there will be staff changes at the Bank after the publication of the Bingham report

Had the Bank been more involved in BCCI's affairs in 1990, it might have uncovered evidence of the systematic fraud which it eventually did discover and which led to BCCI's closure on July 5 1991.

There was a second salutary *episode in the BCCI affair*. Detailed information on the fraud was passed to Bank offi*cials in early 1991*. But senior Bank directors, with the ultimate responsibility for any decision on whether to close BCCI, did not appreciate the magnitude of the corruption until the end of June.

In the first three months of 1991, PW uncovered details of every major element of the fraud at BCCI. Its partners were part of a team set up by BCCI in October 1990 to investigate fraud at the bank. The team reported to BCCI's investigating committee on February 26 in Abu Dhabi and outlined every substantial area of fraud at BCCI. These included:

- a cover-up of loss-making loan accounts by transferring funds from other accounts;
- failure to record deposits;
- creation of false accounts;
- the misappropriation of *funds managed by ICIC, an off*shoot of BCCI;
- the disguised ownership of US banks in contravention of US law;
- the extent of losses incurred by BCCI's Treasury division;

PW communicated full details to the Bank. But Mr Brian Quinn, the Bank director *responsible for supervision*, has said that it was not until the Bank received a formal report on BCCI, under section 41 of the Banking Act, on June 22 1991 that he felt able to close the bank: "The section 41 report completely transformed our view of BCCI," he told a Commons select committee earlier this year.

However, both PW and Abu Dhabi told Lord Bingham that they were surprised that the Bank had to wait for the section 41 report to appreciate the extent of the corruption.

What the BCCI episodes indi*cate is the need for cultural* change at the Bank, say bankers. It is thought highly likely that there will be staff changes at the Bank after the publication of the Bingham report.

But changes in personnel may not be a full remedy. *Had* the bulk of BCCI's operations been in the US, teams of bank inspectors would probably have been drafted into BCCI to investigate its affairs and implement the reorganisation planned in 1990.

Scrutiny of the Banking Act and the Statement of Principles show that the Bank had the powers to become more directly involved in BCCI's *affairs. But in its relationship* with BCCI stretching back more than a decade, it showed a consistent reluctance to interfere directly.

In part, the Bank may, however, have been hamstrung by a shortage of the appropriate resources. Even today, its supervision department con*tains only 200 professionals*, who derive the bulk of their information from reports supplied by banks and their accountants. The Bank has only 15 executives specialising in on-site examinations of banks and a further 10 investigators who probe alleged Banking Act offences. Both teams should probably be expanded. But the Bank may also need to adopt some US practices and *become more interventionist* and adversarial in its relationship with banks.

In the supervision *of* banks the Bank has extensive independence from government. Some Treasury officials are arguing that the Bank would be less complacent if it was directly answerable to the Treasury, as is the Securities and Investments Board, regulator of financial institutions *other than banks. But given* the SIB's difficulty in establishing a clear role for itself, the benefits of government tutelage are not axiomatic.

An opportunity to bring about the requisite changes has been presented by the impending retirement of the current governor, Mr Robin *Leigh-Pemberton. The conclu*sions of the Bingham inquiry may determine whether the government appoints a sucessor committed to reform and with no ties to the *ancien regime*.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Design for own destiny

From Ms Rebecca Breese.

Sir, I write as a very *cost/* benefit conscious New Zealander living in England to comment on Mrs Dalmahoy's letter (October 7) as follows:

(i) I have an English husband who is paranoid that I buy British made goods in preference to foreign ones provided that their performance is at least equivalent to that of the latter. I have had very little difficulty in complying with this.

(ii) It appears many English people feel that foreign products give them enhanced status despite there being at least equivalent UK products.

(iii) Life in a distant colony has encouraged a widespread attitude of self-sufficiency. An increase in this attribute in the UK could have the following results:

- buyers (individual and corporate) should proactively seek to buy British products;
- industrialists should actively seek to develop more products with the object of displacing imports (retailers would be well advised to assist *in this process) and more inter*nationally tradeable goods and services (preferably ones which sell primarily on characteristics other than price).

By adopting these attitudes we have the power to influence the country's economic future irrespective of the government's action or inaction.

Rebecca Breese,
39 Langton Street,
London SW10 0JL

'Foul play' to stress delay of Channel Tunnel opening

From Sir Alastair Morton.

Sir, Appeals to financial editors for fair play face an uncertain fate, but the treatment last week of the Channel Tunnel opening date casts real doubt on the "rules" by which financial editors like to tell us the game should be played.

Companies are exhorted to keep information flowing through the financial columns to investors and shareholders *in the eminently justifiable* interest of a fair market.

In October 1982, Eurotunnel issued a prospectus based on an opening date of May 15 1993. With early tunnelling well behind schedule, Eurotunnel as client conceded June 15 1993 to TML, the turnkey contractor. This remained the best *estimate until early 1992 and is* still the target date in the only programme to which TML has bound itself. As everyone knows, TML made up the time lost in early tunnelling and finished a few days early in June 1991. Sadly, TML's fitting out of the tunnels and terminals under a fixed price contract has not gone well. As a result, by early 1992 it was apparent that June 1993 could not be met. Accordingly, a Eurotunnel press release on February 10 1992 said:

"The tunnel should be able to open at the end of summer 1993", and our preliminary annual report on April 24 this year said: "Eurotunnel remains *confident that the system can* be opened for commercial services no later than the fourth quarter of 1993..."

During the summer we have used "autumn 1993" in conversations with journalists and in brochures, even in paid advertisements in the Financial Times and elsewhere. We have *also used "fourth quarter 1993"* in many briefings. We have met every possible demand from any financial editor for up-to-date clarity.

Hence you must surely agree that when we sharpen our "fourth quarter 1993" into "December 15 1993", it was foul play to place almost universal emphasis on news of six or seven months of delay in your reporting of our half-year statement ("Eurotunnel shares hit by delay warning", October 6). The FT started with "the announcement of a seven month delay". The Telegraph, Express, Independent and some TV reports were similar; The Times' headline was "tunnel will *open six months late*".

If editors campaign for up-to-date information, editors have a responsibility to keep pace with it and not – in haste or malice – dig out long-superseded information for use without any qualifying description.

As I write, our share price has recovered a third of the 60p *or so it lost early this week*. Were some sellers misled by the media?

Alastair Morton,
chief executive,
Euro Tunnel,
111 Buckingham Palace Road,
London SW1W 0ST

Sovereignty and the road to interdependence

From Mr Y Kovach.

Sir, Edward Mortimer, in his article on Czech/Slovak relations (Foreign Affairs, October 7), claims the viability of a constitutional half-way house is not affected by the starting point, whether it be a faltering federation *such as Czecho-Slovakia* or long-established nation states as in the EC.

This is nonsense. In the latter case, independent states have come to comprehend the limits of their sovereignty and interdependence on others. In the former, nations of a faltering federation, by definition, resent their interdependence and one or more longs for sovereignty for the first time.

It appears that interdependence can only be appreciated after experiencing full-blooded sovereignty. Klaus (economic liberal) and Havel (liberal) are correct in rejecting a half-way house. So, dare I say it, was Milosevic (communist) in the case of the former Yugoslavia.

Y Kovach,
38 Lebanon Park,
Twickenham, Middx TW1 3DG

Perhaps UK should contemplate a future with Nafta

From Ms Linda Moore.

Sir, If you will permit this intrusion from a Yank, may I make a suggestion for Mr John Major? Perhaps, while the UK *reviews the structure of power* in the European Community and contemplates the future, it should consider joining the North American Free Trade Association (Nafta).

The Nafta agreement has not yet been initialled, and it will be several years before it has a significant impact on the economies of its member countries. The long-term plans for Nafta, however, include alliances with countries based on common economic goals, not geographic proximity.

To have the UK as a member *of Nafta would surely benefit* us all. For the US, we would be helped by having another *strong partner, offsetting some* concerns – particularly from Canada – about our domination of the pact. It would also alleviate some of our concerns about job losses to Mexico with the possibility of new investment from the Brits, already a significant factor in our economy. Your presence would enhance the treaty's chance for success, both in its initial years and in realising its potential for worldwide growth.

For the UK, there would be new opportunities for trade and new access channels to the booming economies of South America. To the extent that Nafta would enhance the UK's economic vitality, you would be better equipped to negotiate with the Franco-German alliance which, it seems, has definitively taken over the leadership of the European Community.

I believe that including the UK in Nafta would greatly enhance the members' compar*ative strengths in telecommu*nications and computer technologies, medicine, and *financial services, for example*, as well as improving productivity and growth in manufacturing sectors.

Linda Moore,
L K S Moore & Co,
PO Box 30389,
Philadelphia,
PA 19103, US

OBSERVER

Remember Rodrigo

■ "Give credit where credit's due" was the watchword of Observer's grandmother. Accordingly, amid all the furore of what looks to be the most controversial 500th anniversary on record, it is surely time to acknowledge the first European *known* to have discovered the Americas.

By now, of course, everybody has heard that it wasn't Christopher Columbus, who is authoritatively claimed to *have been preceded by Vikings* or even fishermen from Bristol. If so, however, nobody knows their names.

Step forward, therefore, the shade of the first European identified as having set eyes on the new continent: Rodrigo from Triana, the look-out aboard the 50ft caravel Pinta who sighted the island of San Salvador a few hours more than half a millennium ago.

While remembering him, we might also spare a thought for Joseph from Britain, designer of Santo Domingo's newly opened commemorative lighthouse – which, given the *length of its gestation as well* as its lack of practical utility, must rank high among the *White Elephants of history*.

Joseph Gleave was still an architecture student when he *won a competition for the* design in 1928. He finally went to the site in 1946, only for work to be *stopped five years* later when funds ran out. The project was revived in the 1960s by *Dominican Republic* president Joaquin Balaguer. But by then the architect had died, *having in the meantime* set up a practice in Glasgow and designed, among other things, Prestwick Airport.

So how do Gleave's successors feel about his transatlantic masterwork?

His former assistant John McCulloch, who was at last week's opening, thinks the cross-shaped concrete structure will be a big tourist attraction. Gleave's son David is less enthusiastic. "I think the problem is that it was designed 60 years before it was built," he said.

Site challenge

■ Gleave's city of Glasgow seems out to disrupt the plans of effervescent Timothy Clifford, director of the National Galleries of Scotland, to extend his empire in *Edinburgh with the opening* there of a new gallery of Scottish art.

It is the pushy Glaswegians who are making the running with sites for the display of Scottish painting down the centuries. They have already offered the trustees of the National Gallery, led by merchant banker Angus Grossart, free-of-charge space either next to their Kelvingrove Park *art gallery* or in the old sheriff court building in the city centre.

By contrast the more complacent Edinburgh has offered no free sites.

Either way, Scottish secretary Ian Lang will have a knotty decision to make *when the trustees put their* recommendation to him, probably next month. Unless *he is willing to punish* Edinburgh for failing to make more of a play for the new institution, he could be seen as penalising Glasgow for not electing any Conservative MPs.

Homes by mail

■ Meanwhile a designer with a fair claim to having run the full gamut of his profession is France's Philippe Starck. His output ranges from the monumental in the shape of Osaka office complexes, to a

"Green shoots of recovery – how romantic"

user-friendly toothbrush.

He is now moving into the middle with houses – not the expensively customised sort, but mass-market homes *ordinary people can afford*.

The stubbly-chinned Starck's idea is to design a series of *houses, and sell the blueprints* through a mail-order catalogue. His customers would then present the designs to a building firm.

But, for the sake of the catalogue buyers, it is to be hoped that he puts more thought into the houses than he has into some of his other products. He claims he once designed a chair in the time that it took an aircraft seatbelt-sign to switch from on to off.

Dusted off

■ The old adage that youthful hours spent gaining qualifications are never wasted has found a new upholder in Keith Vaz, the Labour MP for Leicester East who seems to have cornered the market in government-bashing on behalf of BCCI creditors.

A qualified albeit non-practising barrister, he last week dusted off his legal credentials to get himself a hearing in the Luxembourg court considering the compensation agreement negotiated between Touche Ross, the BCCI liquidators and Abu Dhabi.

"The only way to address the court was as a legal person," says Vaz, whom the proceedings scarcely impressed. His reason for intervening, he explains, was that "basically the Luxembourg lawyers are pretty useless and they were not putting the case at all, and it was all in French. I don't know whether they understood what I said because I spoke in English."

Sour taste

■ Sad to see Anglo-German relations plumbing further *depths at the latest lunch in* London held by the German Wine Information Service.

Its intention was to demonstrate how delightfully the products of the country's vineyards, normally drunk as aperitifs, go down when matched with food. And 25 writers about wine and purveyors thereof duly assembled for the treat... which they might have ended up enjoying if only the wine supplies hadn't run out.

Only two bottles of each of the dozen varieties to be sampled had been provided which, even allowing for the 15 pours per bottle possible in a tasting, was never going to be enough.

Eventually, one of the organisers had the bright idea of popping out to the local off-licence. Alas, when he came back with the seemingly statutory two bottles, the German red wine inside them was not only at best uninspiring, but one of them was decidedly off.

FINANCIAL TIMES
Monday October 12 1992

Tension mounts in Angola before announcement of final election results

Shooting breaks out in Luanda

By Julian Ozanne in Luanda

HEAVY SHOOTING erupted in the Angolan capital Luanda yesterday as tension mounted between anti-riot police and armed soldiers of Unita, the rebel movement defeated in the country's first democratic elections.

The shooting caused panic in the city centre and raised fears of a violent showdown between the government and Unita, which has alleged that the elections were fraudulent.

The gunfire came hours after a car bomb exploded at dawn yesterday near the Turismo hotel where several senior Unita officials were staying. The bomb blasted out windows as high as the sixth floor.

At least two civilians, apparently caught in crossfire, were killed and several people were injured. Anti-riot police in flak jackets set up roadblocks across Luanda. The international airport was cordoned off but later reopened.

The incidents occurred as a United Nations Security Council mission arrived in Luanda to help salvage the Angolan peace process. The team flew on to hold talks with Mr Jonas Savimbi, the Unita leader, in his southern stronghold of Huambo.

In four separate areas of Luanda, Unita soldiers fired machineguns and grenades at police. Shooting was most intense in a piazza in the city centre where the car bomb had exploded.

After the blast, Unita troops took hostage 12 anti-riot policemen. They were later released in a UN-arranged exchange for 35 Unita party militants arrested by the ruling MPLA before the elections.

A Unita soldier was injured outside the hotel where the car bomb went off by shots fired from a passing black Honda saloon car.

Unita soldiers – weighed down with bandoleers of bullets, US-made M-79 grenade launchers and light anti-tank weapons – sprayed buildings around the piazza with machinegun fire and launched 40mm grenades at a police station.

A man running across the road was shot dead by Unita soldiers during the 30-minute shootout. Other clashes took place in the suburbs of Rosa Pinto and Gamek, near the UN compound.

A ceasefire was agreed later in the day and UN officials stepped in to calm tempers. About 50 Unita soldiers were arrested.

The shooting reflects rising tension before the announcement of final election results expected today or tomorrow.

Mr Savimbi has alleged the government committed massive electoral fraud. Investigators have found evidence only of irregularities and mistakes. These, they say, are largely owing to the ignorance of officials carrying out democratic elections for the first time in a war-shattered country the size of France, Spain and Germany combined.

Civilians in Luanda help an army officer carry a wounded soldier to an ambulance

THE LEX COLUMN

Counting the cash

For all Mr Lamont's fine words on public spending, the government's borrowing requirement will probably end up not far short of £40bn next year. The market is right to wonder exactly where the money is supposed to come from. With sterling floating outside the ERM, overseas investors can no longer be relied on to prop up the gilts market.

Yet the flow of funds into UK investment institutions is hardly encouraging. Slow dividend growth from equities has reduced cash available for reinvestment. Pension funds are squeezed on two fronts by recession: a shrinking workforce and liabilities arising earlier than expected due to early retirement. Life companies, which now contribute the majority of cash flowing into the UK stock and bond markets, are finding traditional products hard to sell.

The squeeze on pension funds could be particularly bad news for equities, which are the best match for pension liabilities and make up over 90 per cent of the average pension fund portfolio. The tougher conditions facing life companies, which pioneered the tentative switch from equities to bonds this year, are especially bad news for gilts. In aggregate, institutional cash flow this year and next is unlikely to be much higher than £38bn recorded in 1991.

The first hint of recovery would ordinarily prompt companies to step up their demands on institutions in the form of rights issues to raise new equity. A spate of cash takeover bids might help relieve the pressure, but, given stretched corporate balance sheets and an aversion to debt, that hardly seems likely. The government may be able to tempt institutions to sell holdings of overseas bonds in favour of gilts, as they did immediately after the general election. With the odds on higher UK inflation, though, this switch now seems harder to justify.

UK insurance

Last week's merger of the Australian subsidiaries of Royal and Sun Alliance – just like General Accident's purchase of the Pru's Canadian non-life business a day earlier – can be seen on one level as a mere footnote to empire. UK composites simply cannot afford poor performing overseas activities these days, even where they just represent a small part of their revenues.

As the two deals just announced illustrate, the search is on for ways to make more profitable the hodge podge of businesses – often based in former British colonies – inherited in the UK insurance merger wave of the 1950s and 1960s.

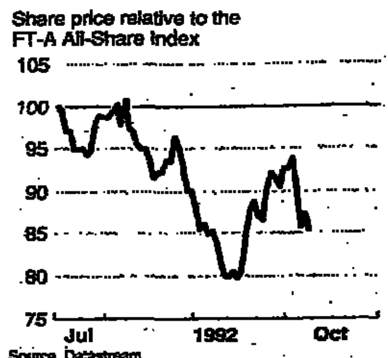
Sun appears to have taken the initiative in Australia, but the move fits in neatly with Royal's avowed long-term strategy. Given the company's relatively weak solvency ratio – brought about largely by its huge recent losses on mortgage guarantee business – it is easy to jibe that such joint ventures are primarily defensive. But that is a little unfair. Capital is scarce throughout the sector – and management talent thin on the ground in many overseas operations – so it surely makes sense to combine forces to achieve critical mass where local conditions allow.

Royal's attempt to implement this thinking closer to home – through its Epic network with Germany's AMB and Fondiaria of Italy – may so far be proving a bit avant garde for its continental partners. But with the risks of outright takeover demonstrated in Scandinavia this year, Epic may yet prove a more durable European solution.

All this raises the question of whether the UK composites should co-operate more in their own backyard. The conventional industry view is that further concentration would raise monopoly problems. But one wonders whether the real problem is a lack of boardroom will.

Rank Organisation

Share price relative to the FT-A All-Share index



Source: Datastream

Rank Organisation

Rank Organisation provides a telling example of the stark reality of post-devaluation Britain. After Black Wednesday its shares rallied briefly – and arguably without much justification since the company is well hedged against currency movements. Then last week, they resumed a seemingly inexorable decline with a fall of 10 per cent. The drop is all the more eye-catching as the price is now roughly a third below its peak in May. Could there be particular grounds for worry? After all, debt is uncomfortably high at nearly £1bn and Rank Xerox, over which it has no management control, has been doing badly in Japan.

There is a more prosaic, if still depressing explanation. By comparison with other leisure shares Rank is traditionally volatile, but it has paced the sector over the past year as a whole. Progress with its plan to raise between £200m and £300m by selling its UK hotels is painfully slow. And weak consumer confidence has eaten away at the revenues of its UK holiday business. So capital spending is having to be held down and may even have to be reined in further. It seems unlikely that the company will be able to trade its way into a more comfortable debt position.

But Rank is not the only cyclical stock facing similar problems. Devaluation has not made unwanted assets any easier to sell. Nor has it turned out to be a panacea with a magical promise of higher revenues. In Rank's case, there is some consolation in the form of a yield of nearly 8 per cent. Whether that is enough to sustain the shares is another matter.

UK financial sector

If today's CBI survey of financial sector companies is anything to go by, banks and building societies will use any further cuts in interest rates as an excuse to rebuild margins. True, spreads and commissions appear to be widening at a slower rate than during 1991, when base rates were falling. But the financial sector's determination is underlined by the fact that spreads increased at all during the third quarter, a period of static interest rates and deep recession.

The intriguing question is how the banks and building societies get away with higher margins when they are also reporting demand for credit at a very low ebb. One explanation might be that borrowers prefer to accept a higher margin rather than run the risk of switching to a cheaper but unfamiliar source of funds. Fears of a credit crunch have so far proved unfounded, but it does not look as though lenders are in particularly generous mood either.

Lamont to face questioning over UK economic strategy

By James Blitz, Economics Staff, in London

MR NORMAN LAMONT, the UK chancellor, today faces tough questioning by MPs on his economic strategy against the backdrop of the steepest decline in British business confidence in three years.

As the chancellor prepared for his cross examination at a televised session of the House of Commons' treasury committee, Dun and Bradstreet International published the first analysis of business confidence since sterling was suspended from the European exchange rate mechanism four weeks ago.

The survey showed that six out of 10 companies expect no upturn in sales in the final quarter of this year, while 39 per cent actually expect sales to decrease.

It coincided with a survey by the CBI, the employers' organisation, and accountants Coopers & Lybrand which revealed deepening pessimism among financial services companies. Banks, building societies and stockbrokers saw business volumes dwindle between July and September of this year.

Evidence of a renewed downturn in the UK economy has also led to calls for the chancellor to signal another cut in UK base rates, currently at 9 per cent, to boost recovery.

There is growing speculation that a cut in UK rates could come as early as this week following sterling's rise by nearly 15 pfennigs against the D-Mark in the last seven days. The pound's recovery to a close of DM2.52 in New York on Friday night may relieve the government of the need to support the currency through high interest rates in an attempt to control inflation.

The issue of £800m of five-year government bonds on Friday compounded talk of a near-term rate cut. The issue of shorter-dated gilts has heralded base rate cuts in the past.

Ministers may also believe that the pressure to ease monetary policy will intensify later this week if fresh economic data highlight a deteriorating landscape in UK industry.

On Wednesday, industrial production figures for August are due to be released, with some economists expecting a fall of 0.2 per cent. Thursday's unemployment figures for September will be awaited with particular anxiety by the cabinet.

Compounding the gloom is the prospect that up to 25,000 mining jobs could eventually be lost if British Coal goes ahead with a pit closure programme due to be finalised this week, with tens of thousands of jobs in related industries. There are suggestions that 30 of the 50 collieries are due to close to clear the way for the state-owned group's privatisation.

Mr John Shepperd, chief economist at Warburg Securities in London, said yesterday that the overall picture presented by these reports was extremely gloomy.

A report out today from Ernst & Young, accountants, shows that the government faces hard choices on whether or not to cut base rates.

Using a Treasury model of the economy, Ernst & Young calculated that a cut in base rates to 6.5 per cent by the middle of 1993 would lead to a rise in gross domestic product in 1993 of 1.8 per cent.

However, inflation would jump outside the government's declared target of 1-4 per cent, rising to an annual level of 5.7 per cent in 1994.

Alternatively, if the government cuts interest by no more than 1 per cent next year, inflation will peak at 4 per cent in 1993, but unemployment will rise to 3.6m in 1994.

Business confidence; PSBR projections, Page 6

Air strike in Bosnia as ban defied

By Laura Silber in Belgrade

SERB military aircraft at the weekend defied a United Nations ban on military flights over Bosnia, bombarding two Bosnian strongholds in the north of the former Yugoslav republic.

The air strike took place during a Moslem and Croat counter-offensive to close the Serb corridor through Bosnia.

A UN resolution creating a no-fly zone over Bosnia, agreed by the Security Council on Friday, envisages only the monitoring of flights but does not authorise the use of force to punish violators.

Bosnian radio said 19 people were killed on Saturday in a Serb bombardment of Gradacac, one of the two strongholds. It said Serb aircraft took off from Banja Luka, in north-west Bosnia, the military headquarters of the self-proclaimed Serb Republic.

A western diplomat in Belgrade said he had received additional eyewitness reports of Serb military flights from Banja Luka.

Bosnian Serb leaders attending peace talks in Geneva at the weekend said their aircraft were grounded in Banja Luka, dismissing the reports of bombardment as propaganda in an attempt to force foreign military intervention in Bosnia-Hercegovina. Serbian commanders on the ground said Bosnian reinforcements had crossed over the River Sava from Croatia into Brcko, the other stronghold.

Bosnian forces on Saturday cut through the Serb corridor which runs east-west across northern Bosnia, from Banja Luka to the Serb border in the east. Lorries, buses and cars waited near Brcko for Serb forces to re-establish control over the corridor.

Serb fighters, who control some 70 per cent of Bosnia, on Tuesday overran Bosanski Brod, which was linked by a bridge over the River Sava to Slavonski Brod, its Croatia twin city.

Mr Milan Panic, Yugoslav prime minister, has asked for the despatch of international monitors to airports in Serbia, Montenegro and Banja Luka. Reuters quoted diplomatic sources in Geneva yesterday as saying Croatia and the rump Yugoslavia had reached agreement on allowing the stationing of such observers at their airfields.

Bitter prelude

Continued from Page 1

given new direction. Bill Clinton is the only candidate with a chance to do that. George Bush has long since squandered whatever claim he had to national leadership."

It praised Mr Clinton's record as governor of Arkansas, and most of his economic policy proposals, thought his foreign policy ideas were a "good blend of hardheadedness and concern for human rights" and felt he had stood up well to a barrage of accusations, some "absolutely outrageous".

Mr Bush, the editorial said, had failed the test of the presidency after a promising start. He had "nothing useful left to say" on the great economic issues confronting the country.

FBI to probe Iraqi loans

Continued from Page 1

criminal wrongdoing by administration officials in the handling of the BNL case.

Senator David Boren, chairman of the Senate intelligence committee, said at the weekend that testimony from CIA and Justice Department officials had created "very troubling" signs that both government agencies knew that a CIA report on BNL issued last month was misleading. The report examined whether the agency had any knowledge of the involvement of BNL's head office in Rome. It claimed the CIA had only heard of Rome's involvement from "publicly available sources". But it was immediately contradicted by the disclosure in Congress of another classified CIA report.

Both the CIA and Justice Department yesterday denied that their officials had deliberately misled Congress or the court. But an official who was present during the Senate testimony confirmed these admissions were made. Mr Robert Mueller, the assistant attorney-general, yesterday acknowledged that he had personally rejected an attempt by the CIA to issue a clarifying statement. "The reason why I did not believe it should be published was that it did not resolve the conflict between the conclusion of the underlying [CIA] summary and the document on which it was purportedly based." Mr Mueller said that while he tried to resolve the discrepancy "I never got an adequate response from the CIA."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	12	54	Frankfurt	S	12	54	Majorca	S	21	70	Oporto	F	16	61	Tenerife	C	25	77
				Brussels	F	12	54	Geneva	C	13	55	Malaga	F	21	70	Oslo	S	9	48	Tokyo	C	20	68
				Budapest	F	12	54	Gibraltar	F	20	68	Malta	C	28	82	Paris	S	12	54	Toronto †	S	7	45
Ajaccio	F	23	73	Buenos Aires	F	22	71	Glasgow	S	11	52	Manila	R	32	90	Prague	S	12	54	Tunis	F	25	77
Algiers	C	22	72	Cairo	S	29	84	Helsinki	Sl	2	36	Melbourne	C	15	59	Reykjavik	C	8	46	Valencia	F	21	70
Amsterdam	C	13	55	Cape Town	C	17	63	Hong Kong	S	28	82	Mexico City	C	13	55	Rhodes	S	26	79	Venice	R	16	61
Athens	S	25	77	Caracas	F	28	82	Innsbruck	C	12	54	Miami †	S	26	79	Rio d'Janeiro	C	26	79	Vienna	C	10	50
Bahrain	S	33	91	Casablanca †	F	22	72	Inverness	C	10	50	Milan	R	15	59	Rome	F	22	72	Warsaw	F	8	46
Bangkok	R	32	90	Chicago †	S	6	43	Islamabad	F	30	86	Montreal †	F	11	52	Salzburg	C	10	50	Washington †	F	15	59
Barcelona	S	19	66	Cologne	S	11	52	Istanbul	S	25	77	Moscow	C	3	37	S'Francisco †	S	13	55	Zurich	C	10	50
Beijing	S	17	63	Copenhagen	S	12	54	Jakarta	R	32	90	Munich	C	10	50	Seoul	S	21	70				
Beirut	S	25	77	Corfu	S	27	81	Johannesburg	F	21	70	Nairobi	F	26	79	Singapore	F	31	88				
Belfast	C	12	54	Dallas †	S	11	52	Lisbon	F	16	61	Naples	F	21	70	Stockholm	F	5	41				
Belgrade	F	16	61	Dublin	S	13	55	London	C	11	52	Nassau	F	30	86	Strasbourg	C	11	52				
Berlin	Dr	9	48	Dubrovnik		–	–	Los Angeles †	F	17	63	New Delhi	F	28	82	Sydney	F	19	66				
Biarritz	C	14	57	Edinburgh	C	11	52	Luxembourg	F	12	54	New York †	C	14	57	Taipei	F	25	77				
Bombay	F	30	86	Faro	S	19	66	Madeira	F	22	72	Nice	F	21	70	Tangier	S	15	59				
Bordeaux	C	13	55	Florence	S	21	70	Madrid	R	11	52	Nicosia	S	25	77	Tel Aviv	S	27	81				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 12 1992

INSIDE

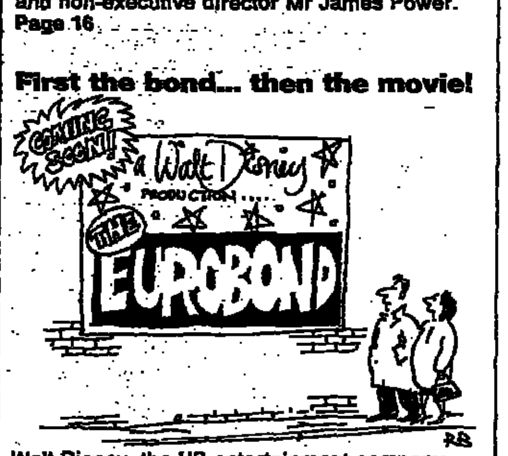
Alcoa drops 18% after falling prices

A fall in the price of aluminium pushed third quarter earnings of Alcoa, the world's largest producer of the metal, 18 per cent lower at $62.2m, or 72 cents per share, down from $75.9m, or 88 cents, a year earlier. Sales slipped to $2.4bn from $2.5bn. Page 17

Row at C&J Clark intensifies

The row over control of C&J Clark, Britain's biggest shoe manufacturer, intensified this weekend when five boardroom rebels wrote to shareholders urging them to vote against proposals to dismiss chairman Mr Walter Dickson and non-executive director Mr James Power. Page 16

First the bond... then the movie!



Walt Disney, the US entertainment company, *launched a Eurobond* issue with interest linked to its film revenues. However, the deal requires an understanding of the company not *normally required of bond investors. "If you* like the movie part of Disney equity and not the theme park part, then this offers the right expo*sure," said a banker.* Page 19

Following Germany's steps

Mr Pierre Bérégovoy, the French prime minister, is being reminded of the extent to which the French economy is dictated by Germany. France cannot risk lowering its interest rates until the Germans do so. Last week French government bonds rallied slightly as fears of another attack on the franc receded and hopes rose that the Bundesbank will reduce interest rates. Page 18

Bank of Scotland in NZ takeover

Bank of Scotland is poised to complete its takeover of the Countrywide Banking Corporation of New Zealand after the last rebel institutional shareholder, National Mutual *Association, agreed to accept the offer for its* 5.5 per cent holding. Page 16

Market Statistics

Companies in this issue

A plan to relieve the burden of non-performing loans is near completion. **Charles Leadbeater and Robert Thomson** report

Nameless body to save the public face of Japan's banks

In a comment by Mr Atsushi Takahashi describing the proposed land buying body that is supposed to come to the rescue of Japan's troubled banks, "We don't want it to seem a paper company, and then again we don't want it to be too large", the word "seem" is one of the most important.

Appearances are an important issue in the design of the new body, a task now close to completion. The banks wish it to convey the message that they are solving the problem of non-performing loans. These unsightly assets, gathered during the "bubble" years of the late 1980s, will be transferred to the collectively run company and off the banks' books.

Japanese banks argue that while these property-backed loans are a burden, the impact on the banking system and their balance sheets has been overstated. However, they are rushing to get the new body in place so that transfers can begin well before the close of the financial year in March.

But there are serious doubts that the body – its formal name is yet to be decided – will achieve its stated aims.

There are two objectives to the new body:

● to relieve the burden of non-performing loans;

● and stimulate the country's ailing property market, the weakness of which is one cause of that burden.

It is unclear how long the burden of non-performing loans will *limit the banks' lending ability* and retard Japan's economic growth. Estimates of the size vary.

At the end of March the finance ministry estimated a figure of between Y7,000bn to Y8,000bn ($67bn); Sumitomo Life Insurance, a leading Japanese financial institution, estimated Y22,000bn; while some analysts put the figure at Y50,000bn-plus.

The ministry is revising its estimate for the half-year just ended, and its new figure is likely to be between Y10,000bn and Y12,000bn for the 21 leading banks. It will announce the figures later this month.

The burden is certainly larger than the official figure suggests. Japan's definition of a non-performing loan is one on which interest has not been paid for six months, compared with the 90-day period used in US definitions. The official figures also exclude the problem loans held by bank *affiliates, many of the so-called* "non-banks", who were large property-related lenders during *the financial excesses of the late* 1980s.

In the worst case, the failure of a large regional bank or of an institution with close links to a leading bank could create a crisis of confidence in the banking system.

While the banks concede they are weighed down by the non-performing loans, they have remained confident that a crisis will not arise.

As Mr Yoh Kurosawa, president of the Industrial Bank of Japan, Japan's top corporate bank, confidently suggests, banks don't go bust in Japan.

But *banks with bad loans* are limited in their ability to provide new finance to corporate customers, who are now unable to tap the equity market for funds.

The weakness of the banks has itself cast a shadow over the stock market. Although the market recovered strongly in the summer from its lows of early in the year, it has started to look a little fragile in recent days.

Japanese bankers insist that the scale of their problems is far less than that which caused the collapse of savings and loans institutions in the US. American experience has, however, been *closely studied during the discussions* in recent weeks over what form the land purchase agency *should take.*

Interviews with a range of officials involved in the planning of the new body suggest that it may work something like this:

● Participating banks will provide capital for the agency and then give it concessional loans.

These loans will provide the agency's working capital, and enable it to earn income from the gap between its cut-rate borrowing and its market-rate lending.

● Non-performing loans and the *property used as collateral will* be bought by the body as a package from a bank.

The property will be valued by an "independent" assessor, a process that the banks hope will set a floor for property prices, which have fallen almost 40 per cent over the last two years.

● Banks will write off the difference between the amount at which the transferred property is assessed and the value at which it is shown in their books. The new body will then begin the task of gradually selling the properties.

'Bankers are very unpopular now. We are like tax collectors in the days of Jesus'

As the president of Industrial Bank of Japan suggests, banks don't go bust in Japan.

Sumitomo Trust, a leading trust bank, says the whole process could take as long as 10 years; the amount of property to *be sold is estimated at Y10,000bn.*

In carrying out this scheme, appearances are important in another way. The new body must be seen to be funded by the banks and not by the public.

In reality, the Bank of Japan is likely to increase the amount commercial banks can borrow from it at cheaper rates on the understanding that the funds are pumped indirectly into the new company.

As well as this indirect assistance, the banks would like tax concessions on write-offs from the Ministry of Finance. If things go terribly wrong, they would probably attempt to hold Mr *Kiichi Miyazawa, the prime minister,* to his statement that he favours the use of public funds to *support the banks.*

However, such support, for an industry popularly perceived to have pumped much money and air into Japan's financial bubble, would be very unpopular.

Sumitomo Trust expects the body will be ready to begin taking on the troubled collateral by January, giving the banks plenty of time to shift assets off their balance sheets before the end of March. Standards set by the Bank for International Settle*ments (BIS) require them to have* capital equal to 8 per cent of their assets on this date.

If all goes according to the banks' plans, the BIS's ratios will be met, non-performing loans and unsaleable property will be removed from their books, and they will benefit from a hoped-for recovery of the Japanese economy, which would itself push up stock and land prices.

Such hopes may be overly *optimistic. The banks admit* that property market turnover is "dead", and concede that prices still have a way to fall.

Mr Kurosawa at the IBJ forecast a further 10 per cent fall, but another IBJ official said perhaps "20 or 30 per cent".

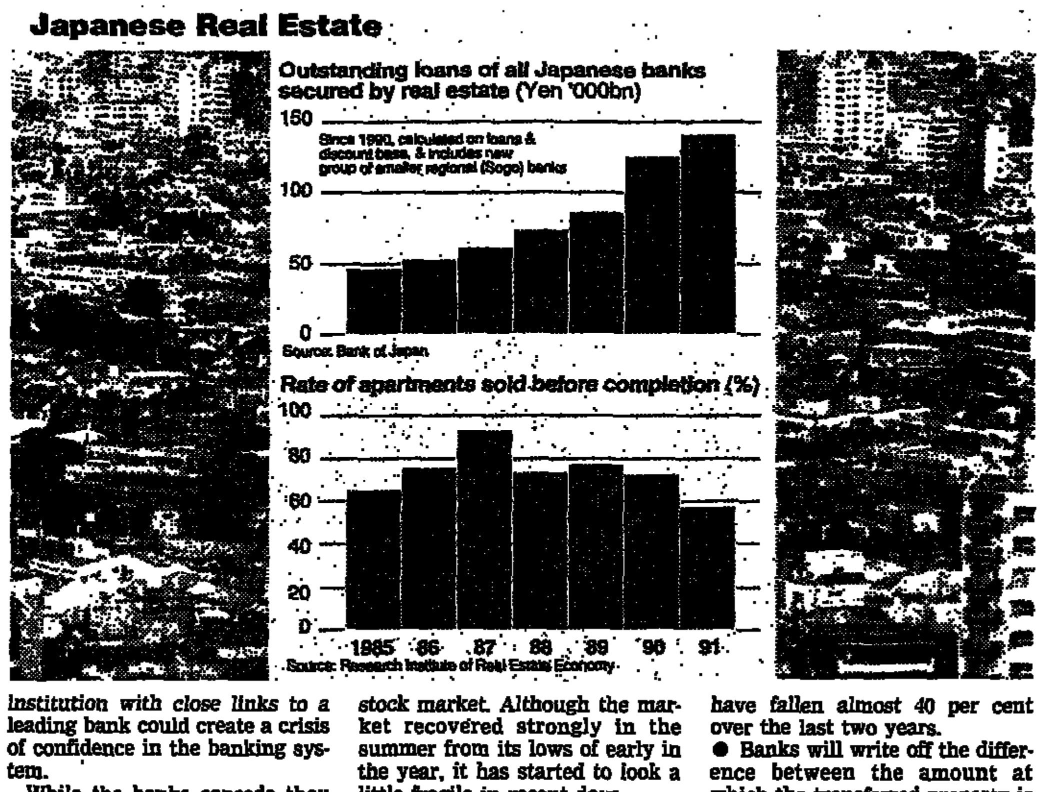
The government has promised to increase its land purchases over the next year, but there are few other willing buyers at present. The big private buyers of the past, particularly developers and *ambitious manufacturers,* are drawing up their own reconstruction plans.

Instead of a neat, quick solution, there is likely to be a more long-drawn-out consolidation of the banking system. Some smaller financial institutions may disappear, while the larger banks will have to ensure their profitability by cutting costs and improving their risk management.

And the new land purchase company may discover that it needs more than indirect government help. If the issue of direct *government aid arises, there is* likely to be an awkward public debate.

As Mr Kurosawa says: "Bankers are very unpopular now. We are like tax collectors in the days of Jesus."

Japanese Real Estate



Dan-Air rescue talks near D-Day

By **Paul Betts,**
Aerospace Correspondent

NEGOTIATIONS between Mr Richard Branson and Dan-Air are expected to reach a head in the next 48 hours amid signs that another group has emerged as a potential rescuer for the troubled UK independent carrier owned by Davies & Newman.

Mr Branson, chairman of Virgin Atlantic Airways, is understood to have become increasingly reluctant to enter into a *Dan-Air rescue operation because* the airline's financial situation appears to be far worse than Mr Branson had earlier anticipated.

Earlier City of London estimates that the group's pre-tax losses this year would total £7m-£10m ($17m) have now been described as too low.

Mr Branson also appears to consider that any rescue of Dan-Air in association with Virgin would require a complete restructuring of the Dan-Air business cutting it back to its profitable core.

While negotiations between Virgin and Mr David James, the *company doctor in charge of* Davies & Newman, are continuing, there has been increasing speculation over the weekend that another company has expressed interest in Dan-Air.

One suggestion was that British Airways, which ended talks with Dan-Air last month, had decided to take another look *at the Gatwick-based carrier.*

BA said yesterday it never commented on this sort of speculation, but City of London analysts said it was unlikely the UK flag-carrier would be interested in reviving talks.

However, the same analysts *suggested that one company pos*sibly interested in forging an alliance with Dan-Air was the Ger*man group LTU, which bought* the Thomas Cook travel chain last summer.

LTU, which is understood to be looking for investment opportunities in Britain, has also been rumoured as a possible white knight in the event of a hostile bid on Owners Abroad, the UK holiday group, from its UK rival Airtours.

Dan-Air has also held unsuccessful partnership talks with British Midland, the independent UK carrier, and Air France.

Lamont sets his sights on the inflation target

Economics Notebook

By Peter Norman

Mr Norman Lamont's decision to add inflation targets to the pot pourri of measures now being used to determine UK *monetary policy was given a* lukewarm reception last week.

Some commentators, pointing out that inflation is a lagging indicator of economic conditions, have likened the chancellor's idea to steering the economy by using the rear view mirror.

Others, seeing how retail price inflation, excluding mortgage interest payments, fell to within its target range for the rest of this parliament of 1 per cent to 4 per cent within 24 hours of Mr Lamont's announcement, fear a Treasury public relations trick.

A third group admit that the chancellor's objective of bring*ing inflation to "2 per cent or* less" by the end of the parliament is ambitious. However, they ask why it should be believed in the light of Britain's persistent failure to defeat inflation and the pound's recent exit from the European exchange rate mechanism.

But there are some positive things to be *said for the new* idea. Two other industrialised nations – New Zealand and Canada – have introduced inflation targets with some *success.*

Moreover, the government's inflation objectives are not a stand-alone policy. They will, if the Treasury sticks to its word, be subject to the discipline of increased accountability to parliament and the public at large.

The importance of this promised openness should not be underestimated. Government in Britain is obsessively secretive and the Treasury is one of the most secretive of Whitehall departments.

In his statement last Thursday, Mr Lamont said that if the government fails to achieve its inflation targets "it will have a duty to explain how this had arisen, how quickly it intended to get back within the range, and the means by which it would achieve this".

He also said: "It will be important to explain clearly to parliament and the markets how we assess the progress being made towards the government's inflation objectives."

Treasury officials understand this reference to assessing progress as giving parliament and the public the opportunity to hold the government to account for how it is achieving its inflation targets. *Mr Lamont has conceded more than the principle of obliging* the government to explain a missed inflation target long after policy mistakes have been made.

Parliament, the press and the public should now expect the government to disclose in a timely manner what it thinks of developments in narrow and broad money supply, house prices and other asset prices, the exchange rate and all the *other indicators it will use to* guide policy. In turn, the Treasury and the Bank of England should expect pressure to improve the information flow if their account of events is unsatisfactory.

Certainly, the Bank seems to *welcome such glasnost.* Speaking in Cambridge last week, Mr Robin Leigh-Pemberton, the governor, said the best way of restoring confidence in economic policy was to accompany it "by a willingness to be open in explaining, to parliament and to the public at large, the influences on inflation and our responses to them".

Mr Lamont will have an opportunity to display how he views accountability later today when he testifies to the Commons Treasury and Civil Service Committee. By the end of November – after the chancellor's Mansion House speech, the Autumn Statement and publication of the next Bank of *England quarterly bulletin* – it should be possible to assess how far the government is meeting its promises.

Increased accountability in the UK will have to substitute for institutional disciplines available in other countries to make inflation targets effec*tive.*

New Zealand gave its central bank independence with effect from February 1990 so that it could pursue price stability as a statutory goal.

The salary of Mr Don Brash, the Reserve Bank's governor, has been linked to his ability to deliver stable prices, defined as an annual increase in the consumer price index of zero to 2 per cent by the end of 1993. Mr Brash responsed by aiming to hit the target by the end of this year and – with inflation at around 1 per cent – he is almost certain to succeed.

The Bank of Canada does not enjoy such independence. But it has more operational freedom than the Bank of England. The Bank of Canada and the Department of Finance jointly announced in February 1991 *that the annual increase in* consumer price inflation should fall to 3 per cent by *December this year and 2 per* cent by December 1995. With core inflation currently around 1.7 per cent, Canada is well ahead of its targets.

Canada's experiences are probably more relevant to the UK than those of New Zealand. Britain and Canada are big economies: both import and export a similar proportion of their gross national product. Since Britain's departure from the ERM, both operate floating exchange rates and yet are part of large trading areas.

Mr David Dodge, Canada's *deputy finance minister, says* inflation targets have been a great success. "They are the bedrock on which Canada bases its monetary policy."

The targets, he says, have helped the government to explain and defend its policy and keep down wage increases.

In its recent annual survey of Canada, the Organisation for Economic Co-operation and Development said the publication of the targets caused a sharp drop in short-term inflationary expectations, particu*larly among businesses.*

But Mr Dodge stresses that inflation targets need to be backed up by other policy instruments.

Canada has pursued a tough fiscal policy, including a legislated freeze on civil service sal*aries, for example. Mr Dodge* also insists that floating exchange rates are essential if a country is to meet its inflation goals.

This last point should give Mr Lamont and the rest of the cabinet pause for thought, if, as reported, the government is aiming to return sterling to the ERM next year.

Quarter of UK fund managers see no return to ERM

By **Richard Gourlay in London**

A QUARTER of Britain's leading institutional fund managers believe the UK will never return to the Exchange Rate Mechanism, according to a survey by Gallup for stockbrokers Smith New Court.

Since the UK's departure from the ERM, the institutions have also raised their forecasts for the 12-month inflation rate from 3 per cent to 4 per cent.

The survey suggests scepti*cism for Mr Norman Lamont's* new economic policy laid out at last week's Conservative Party conference.

More than half the investors believed the UK would return to the ERM but not within the next 12 months. Nearly a fifth thought re-entry would be after three months but within a year.

Fund managers have sharply increased their interest in investing in index-linked gilts. The survey showed a similar increase in fund managers intending to reduce their holdings of UK conventional gilts.

The biggest change in sentiment was towards UK equities. The size of the majority of fund managers intending to increase their UK holdings rose to its highest level since April.

However, the institutions have shaved their estimates of earnings per share growth in 1992 from 3.8 per cent to 3.2 per cent since the September survey.

One hundred institutions, *which together handle funds* worth £542bn ($965bn), took part in the survey.

Clark rebels under heavy fire

By Peggy Hollinger

THE ROW over control of C&J Clark, *Britain's biggest shoe* manufacturer, grew increasingly heated this weekend with a letter to shareholders dismissing accusations by boardroom rebels as "untrue and inaccurate".

In a scathing attack on the rebels, five directors – including *two* members of the founding Clark family – urged shareholders to vote against proposals to dismiss chairman Mr Walter Dickson and non-executive director Mr James Power.

The letter claimed the four board rebels – all Clark family members – had "misused confidential information and made untrue and inaccurate statements... If they have done this as requisitionists, how would they behave if they controlled the company?"

A company spokesman denied reports that the family was holding peace talks at the weekend. Some 500 members of the Clark family hold more than 70 per cent of the company.

The letter to shareholders countered *claims by the requisitionists* that recommendations in a consultants report dated 1988 had been ignored. This was a "red herring which disguises a straightforward attempt to gain board control", the letter stated. The company quotes the consultants, McKinsey, in 1991 as saying *that Clarks had "performed* creditably" against a difficult market background.

The five board members defended the corporate strategy directed by Mr Dickson. They predicted that by 1995 the company would achieve cost savings of £12m a year from *rationalisation in its retail* business – which includes Clarks, K Shoes and Ravel – and £25m in manufacturing.

An extraordinary meeting has been called for this Friday to decide the issue. The rebels are proposing two new board members, Mr Hugh Pym, an ITN journalist and a member *of the Clark family, and* Mr Michael Markham, a businessman.

It is believed that Electra Investment Trust, the venture capital group which is backing a possible bid approach by Mr Colin Fisher, a consultant, would hold back from any firm *offer until the outcome of the* egm.

Bank of Scotland poised to complete Countrywide takeover

By Terry Hall in Wellington

BANK OF Scotland is poised to complete its takeover of the Countrywide Banking Corporation after the last rebel institutional shareholder, National Mutual Association, agreed *reluctantly to accept the offer* for its 5.5 per cent holding.

National Mutual had been fighting an acrimonious rearguard struggle since May in an effort to force Bank of Scotland to pay more than NZ$2.05 a share, saying the offer, which valued Countrywide at £40.2m, was far too low. It believed the shares to be worth at least NZ$2.40.

Two other dissident shareholders, Norwich Union and Colonial Mutual, surrendered last month. National Mutual said its struggle was weakened *by the late acceptances of the* others, but it had considered challenging compulsory acquisition.

Bank of Scotland had sent dissidents a formal notice of compulsory acquisition, giving them until November 5 to accept, and claiming it had acceptances for 91.2 per cent.

National Mutual said it was accepting because any legal action would have caused further uncertainties over the future of the bank. "Even if we had managed to retain the shares, their negotiability would have been limited."

Last year Countrywide incurred a pre-tax loss of NZ$40.9m (£11.6m) for the year to June 30, against profits of NZ$16.5m previously after bad debt provisions of NZ$30.5m and a write off of NZ$38m to purchase United Banking.

Schroders considers Wertheim takeover

Schroders, the City merchant bank, confirmed yesterday that it is considering taking full control of Wertheim, the Wall Street securities house in which it has held a 50 per cent stake since 1986, writes David Barchard.

However, the bank denied that active negotiations for a cash sale had got under way. "The future of our relationship with Wertheim has been under discussion for some time, but there are no negotiations in progress," the bank said.

To acquire 100 per cent control of Wertheim, which made $30m profits last year, would probably cost around $100m.

Butte warranty claim

BUTTE Mining, which is claiming damages of $325m (£182.5m) in the US against more than 70 former advisers, *directors and investors,* is about to embark on another legal action, this time in the UK, writes Peggy Hollinger.

Mr David Lloyd-Jacob, chairman of Butte, said that the company intended to launch a warranty claim for more than £500,000 over a company purchased in 1989.

Butte paid 9.2m shares for Gramcol Zircon, a mining company *allegedly holding cash* resources which Butte desperately needed. The vendors were Mr Don Upright, Mr Neil Bradley and Mr CJ Deacon, a solicitor.

In the summer, Mr Deacon was involved in assisting pension fund trustees of Belling recover £2.1m paid to one of *his clients.*

The purchase agreement for Gramcol Zircon included warranties by the vendors, excluding Mr Deacon, that the company would have "not less than £1.8m standing at credit in the company's bank account". However, Butte received just £1.25m from Gramcol Zircon's account.

Mr Deacon was paid 5m Butte shares as part of the *Gramcol transaction.* The £1.25m appears to have been the proceeds of a placing of Mr Deacon's shares by TC Coombs, the now defunct stockbroker.

Ramco shares double

SHARES OF Aberdeen-based Ramco Oil Services have more than doubled on market optimism over its involvement in a *contract to develop a 1.4bn* barrel Azerbaijani oil field in the South Caspian Sea, writes Walton Morais.

Since the deal to develop the Guneshli field was announced on October 1, the USM-quoted stock has doubled from 36p, to Friday's close of 74p.

Ramco, whose core activity is the supply of corrosion control and ancilliary services to the oil and marine industries, will develop the field with Pennzoil, the US oil group.

Pennzoil will bear all development costs and operate the field while Ramco will enjoy a share of the profits thanks to its early role in lining up the deal.

Ramco's share of profits will be *10* per cent in the initial stage rising to 17.5 per cent with a full participating interest after Pennzoil has recovered its costs.

Mr Stephen Remp, the 45-year-old American chairman and chief executive who founded the company, explained that the favourable terms to Ramco stem from its pathfinding role in securing the contract from the Azerbaijani government.

Current production in the Guneshli field was 130,000 barrels per day and should increase to 270,000 when the field was in full production.

Firstland makes £5m move into packaging

FIRSTLAND Group proposes to buy Gelpack Industrial, a private industrial packaging company, for £4.8m under a reorganisation that will transform the USM-quoted oil and gas company into a packaging business listed on the main market, writes Walton Morais.

Firstland, suspended since September 15 pending the reorganisation, will change its name to Britton Group and fund the acquisition by a placement of 102m new ordinary shares with private and institutional investors to raise £5.1m before expenses.

Mr Simon Beart, finance director, who with Mr Robin Williams, chief executive, led a management buy-in last March with the aim of diversifying into an industrial group with stable earnings, said Gelpack was involved in a low-volume, high-margin niche sector of a growing market.

It had been showing strong growth in pre-tax profit recently, jumping from £214,000 in the year ended June 30 1990 to £706,000 in 1991 and £1.05m in 1992. Turnover expanded from £7.93m to £11.03m and £11.55m.

Firstland will want to dispose of its remaining oil and gas business quickly; probably below the estimated book value of £3m for its operating oil and gas wells in Oklahoma and the Gulf of Mexico.

The reorganisation will include a capital reduction and elimination of the deficit on the profit and loss account.

Barring unforeseen circumstances, the directors intend to recommend a final dividend payable in mid-1993 for the year 1992.

For the first half Firstland reduced its loss from £455,000, which included a £285,000 exceptional charge, to £87,000, on turnover of £201,000 (£233,000). Losses per share were 0.34p (2.05p).

M&A Deals table

The Cross Border M&A Deals table will be published in tomorrow's edition.

WMS raising £15m via share placing

By Peter Pearse

WMS Group is to raise about £15m in a placing of shares in the last week of November. The new shares will account *for about 40 per cent of the* enlarged share capital – the balance will remain with Mr Joe Moore, the chairman and founder, and his family. After the placing, the company will be valued at about £45m.

Originally Window Machinery Sales – though Mr Moore maintains that the company's initials stand for Work Means Success – WMS has grown into a designer, developer and distributor of window hardware and related domestic and industrial fasteners. It is now branching into silicones and sealants.

Almost all the company's products are sourced outside the UK – mainly in Taiwan, the Philippines and India. Wong Shi, the Taiwanese subsidiary, oversees all WMS' Far Eastern activities.

Mr Moore said that, despite the problems of the construction industry, replacement windows was a "buoyant market" and that he ran a "nice clean business". WMS has no *debt and* Mr Moore said the placing was to finance organic growth – the company has in the past few months moved into the decorative hardware and decorative sundries markets. "More product penetration is needed," he said.

The company employs 220 staff and operates from its national distribution centre which sits on an 11½ acre site in Brighouse, near Leeds, bought from Coloroll, the collapsed home furnishings group, for £1.9m in 1989.

A prospective p/e of between 11.5 and 15, with 13.5 the likeliest, has been forecast. WMS has predicted profits for 1992 of more than £3m post-tax, compared with £1.72m in 1991, on turnover of £25m-plus, against £20.2m. The company will pay dividends, Mr Moore said.

Competition leaves Specialeyes in the red

SEVERE COMPETITION and moves to prime high street sites has been blamed by Specialeyes, the USM-quoted optical retailer, for a fall into pre-tax losses of £596,000 in the year to May 30, against profits of £201,000.

The company has developed a new strategic plan, as part of which three new directors have been appointed and Mr Andrew Noble, chairman, is being replaced by Mr Jim Power, an existing non-executive director.

Sales rose by 12 per cent to *£16.6m but were at the* expense of margins. They were affected by the recession and the uncertainty surrounding the General Election, particularly the commitment of the Labour Party to return to free sight tests which caused a severe fall in sales.

Losses per share came out at 3.13p (earnings of 2.04p).

FT-SE Actuaries Series

TODAY marks the first official calculation of new indices in the FT-SE Actuaries Share Indices. The new indices are:

- The FT-SE Mid 250, covering the 250 companies that rank below the FT-SE 100 in size. This is a real-time index, containing companies with market capitalisations of roughly £150m to £1bn.
- The FT-SE Actuaries 350, the top 350 UK shares (the FT-SE 100 plus the FT-SE Mid 250). Industry baskets based on these 350 stocks will be calculated minute-by-minute throughout the day. The sector classification is that used in the FT-Actuaries All-*Share index.*

The new indices form part of a newly created family, the FT-SE Actuaries Share Indices. This also includes the FT-SE 100, the FT-Actuaries All-Share index, the FT-SE Eurotrack 100 and 200 indices and (from January 1993) the FT-SE Small Cap index.

The new structure of the FT-SE Actuaries Share Indices is the result of the work of the Index Design Working Party, set up in December 1991 by the London Stock Exchange in conjunction with the Financial Times and the Institute of Actuaries and the Faculty of Actuaries:

INDEX DESIGN WORKING PARTY

Chairman: Gordon Bagot, WM Company
Deputy Chairmen: Peter Jones, Greenwell Montagu; Andrew Threadgold, PosTel Investment Management.
Members: Guy Austin and Barbara Odegaard, BZW Securities; Jenny Austin and Ingrid Kirby, PosTel Investment Management; Symon Bradford and Robert Mapstone, County NatWest Securities; Timothy Breedon, Legal and General Investment Management; John Brumwell, Prudential Portfolio Management; John Clamp, Combined Actuarial Performance Services (CAPS); Angela Cozzini, Baring Securities; Raphael de Santos, Goldman Sachs International; Adrian Dicks and Peter Martin, Financial Times; Bruce Froud, Kleinwort Benson; Richard Harris, UBS Phillips & Drew; David Hobbs, UBS Phillips & Drew Fund Management; Ralph Langham, *Unilever; Mark Makepeace* and William Oulton, London Stock Exchange; Neil Morgan; Maureen Miskovic, S G Warburg Securities; Richard Pain, Institute of Actuaries;David Paterson and Neil Honebon, Robert Fleming & Co; Sandy Phillips, London International Financial Futures and Options Exchange (LIFFE); Stewart Reed, County NatWest Investment Management; Paul Richards, Institute of Investment Management and Research; Ian Stephenson, Smith New Court Securities; James Woodlock, BZW Investment Management.

The Financial Times, the London Stock Exchange, the Institute of Actuaries and the Faculty of Actuaries wish to express their gratitude to the participants in the working party for the time and effort they devoted to the project.

The FT-SE Actuaries Share Indices will be supervised from January 1993 by a Steering Committee which will decide on the key policy issues, set standards and approve the ground rules which govern the indices. The chairman of the Steering Committee is Donald Brydon, chairman and chief executive of BZW Investment Management. The Financial Times, the London *Stock Exchange,* the Institute of Actuaries and the Faculty of Actuaries are very grateful to him for agreeing to take on this task.

The official auditor of the series will be Gordon *Bagot, WM Company, Edinburgh.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.10.92: Pool purchase price £/MWh	Final Prices for Trading on 13.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.50	23.33	25.23
0100	17.50	20.11	21.90
0130	17.60	17.69	17.69
0200	21.80	23.33	25.24
0230	22.34	23.33	25.23
0300	22.34	17.69	17.69
0330	17.71	17.58	17.58
0400	17.69	17.58	17.58
0430	17.63	17.58	17.58
0500	17.63	17.56	17.58
0530	20.17	17.69	17.69
0600	20.17	17.69	17.69
0630	20.17	17.69	17.69
0700	20.13	17.58	17.58
0730	20.17	17.58	17.58
0800	20.17	20.57	22.38
0830	20.17	24.65	26.61
0900	20.17	24.65	26.60
0930	21.60	24.65	26.58
1000	21.10	24.65	26.56
1030	21.60	24.65	26.56
1100	23.01	24.65	26.65
1130	23.01	24.65	26.53
1200	27.96	28.01	30.00
1230	27.96	28.01	29.98
1300	27.96	28.01	29.98
1330	27.96	28.01	30.01
1400	24.56	24.65	26.56
1430	23.01	24.65	26.56
1500	22.15	21.94	23.76
1530	21.10	17.70	17.70
1600	17.72	17.71	17.71
1630	17.72	20.81	22.59
1700	17.72	22.44	24.26
1730	20.88	21.94	23.76
1800	22.15	22.44	24.27
1830	24.72	22.44	24.27
1900	27.96	22.44	24.27
1930	27.96	24.65	26.54
2000	27.96	28.01	29.98
2030	25.15	28.03	29.96
2100	24.72	28.03	29.98
2130	24.66	28.01	29.99
2200	24.45	26.85	28.81
2230	22.15	25.16	27.08
2300	21.10	21.15	21.16
2330	20.72	18.46	18.46
2400	17.63	18.46	18.46

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.10.92: Pool purchase price £/MWh	Final Prices for Trading on 14.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.48	18.46	18.46
0100	17.49	18.46	18.46
0130	17.70	18.46	18.46
0200	20.17	18.46	18.46
0230	27.96	18.46	18.46
0300	27.96	18.46	18.46
0330	20.72	18.46	18.46
0400	20.72	18.46	18.46
0430	20.72	18.46	18.46
0500	20.72	18.46	18.46
0530	17.56	19.83	22.13
0600	17.58	17.71	17.71
0630	17.64	19.83	22.14
0700	23.64	23.17	25.63
0730	23.70	23.98	26.41
0800	26.13	24.80	27.21
0830	29.02	28.04	30.54
0900	28.15	28.06	30.57
0930	28.96	28.12	30.60
1000	28.89	28.16	30.52
1030	26.07	28.16	30.60
1100	26.03	28.15	30.58
1130	26.04	24.96	27.33
1200	26.04	28.28	30.62
1230	25.98	28.22	30.67
1300	25.89	28.15	30.58
1330	26.14	24.84	27.19
1400	24.06	24.82	27.16
1430	24.05	24.81	27.15
1500	24.05	24.81	27.15
1530	24.06	24.81	27.15
1600	24.10	24.83	27.19
1630	24.61	24.90	27.26
1700	24.75	28.17	30.61
1730	24.75	28.14	30.57
1800	24.81	28.07	30.51
1830	29.40	23.98	26.32
1900	35.15	21.70	21.70
1930	35.06	22.00	22.00
2000	33.90	25.63	28.00
2030	33.32	28.02	30.43
2100	23.69	28.02	30.44
2130	23.64	25.62	28.00
2200	23.40	23.56	25.90
2230	22.94	23.56	25.93
2300	22.67	23.17	25.55
2330	21.01	22.00	24.38
2400	17.65	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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COMPANIES AND FINANCE

Merrill to advise IRI on sale of bank

By Haig Simonian in Milan

IRI, the Italian state-owned holding company which is privatising some subsidiaries, has appointed Merrill Lynch, the US investment bank, to advise on the sale of Credito Italiano.

The surprise decision to sell Credito Italiano, Italy's sixth-biggest bank, was announced by the government last month. But no indication was given as to the timing or method of the deal. Analysts now expect the disposal of part or all of IRI's 67 per cent stake to take place via a trade sale to a group of outside buyers, probably around the year-end.

In spite of the government's enthusiasm for increasing popular share ownership, the likelihood of a public placement of IRI's shares has decreased owing to the current depressed value of the bank's equity. Credito Italiano is now capitalised at around L2,000bn ($1.61bn), against an actual value estimated by senior managers at between L7,000bn and L10,000bn.

The high price has also made a straight sale to a single buyer less probable. A transfer of ownership to a *foreign financial institution* may not receive the Bank of Italy's blessing, while the number of banks which could afford to buy Credito Italiano is already limited.

Hence analysts expect at least part of IRI's shares to be bought by a "hard core" of private-sector Italian investors. Familiarity with the bank and the domestic financial scene could persuade such buyers to pay a substantial premium over current bourse levels. Another part of IRI's stake might be floated simultaneously, or subsequently.

IRI said it would be up to *Merrill Lynch to recommend* the best procedure for the sale to maximise the proceeds, while "respecting the market and the interests of Credito Italiano". A mandate for valuing the bank, to take place after Merrill Lynch makes its recommendations, may be awarded to another institution.

Minebea forecasts first loss due to NMB burden

By Robert Thomson in Tokyo

MINEBEA, a leading Japanese machinery maker, has forecast consolidated pre-tax losses of Y7bn *($57.4m) for the year to* September – the first loss for the world's foremost maker of miniature bearings since its founding in 1951.

The company blamed the turnround – from taxable profits of Y7bn the year before – on losses at its semiconductor subsidiary, NMB Semiconductor, and on the fall in the Tokyo stock market, which is likely to result in paper losses of about Y2.8bn.

Like many Japanese industrial companies, Minebea had relied on the stock market to boost earnings during the late 1980s, but the continuing weakness of the market has forced these companies to book losses on their holdings.

Consolidated sales are likely to total Y270bn, down from a previous estimate of Y280bn and last year's Y285.4bn, while the company is expecting net losses of Y13.5bn, compared with profits of Y888m last year.

NMB, expecting losses of about Y12bn, has become a burden for Minebea because of the severe competition in the semiconductor market, and the company is planning to shift away from the production of standard memory chips to application-specific chips.

But *competition* in the that market is also severe, and the cost of keeping up in the semiconductor sector is putting extra pressure on Minebea when sales of core products have slowed in tandem with the Japanese economy.

The forecast for parent company profits was revised down to Y8.5bn from Y9.5bn on sales of Y200bn, down from Y207bn. Net profits were revised down to Y2.7bn from Y4.8bn, and the parent is expecting to post book losses of Y1.9bn on its *securities holdings.*

Minebea intends to pay an annual dividend of Y6, down from Y11.75 last year.

NIKON, the leading Japanese camera maker, expects not to make a profit in the year to March, because of a steep fall in sales of semiconductor manufacturing equipment, writes Charles Leadbeater in Tokyo.

*The company blamed the downturn on severe cuts in invest*ment among electronics companies which are facing stagnant demand. About 43 per cent of Nikon's sales come from cameras and 23 per cent from semi-conductor equipment.

Nikon expects its sales to reach Y210bn ($1.74bn), down from its earlier forecast of Y228bn. It had predicted pre-tax profits of Y4.5bn for the year against Y7.2bn profit on sales of Y230bn last year.

The company warned that the fall in sales would continue for the rest of the year.

First half reverse for Wagons-Lit

By Andrew Hill in Brussels

NET profits at Wagons-Lits, the Franco-Belgian tourism group, dropped to BFr284m ($9.28m) in the six months to June 30 from BFr672m a year earlier.

But before exceptional gains the company returned to the black with profits of BFr121m, against losses of BFr227m.

The group said the travel agency and restaurant operations had turned in particularly good results, although the mediocre economic climate continued to hold back the hotel, railways and car-hire subsidiaries.

The company warned against reading too much into the figures because of the seasonal nature of its business. But it said it was expecting a continued improvement in the second half of the year.

Turnover increased to BFr45.8bn from BFr41.2bn, of which the largest part came from the restaurant business – up to BFr15.9bn from BFr14.1bn. Travel agency sales rose to BFr13.2bn from BFr10.1bn, while hotels generated turnover of BFr7.17bn compared with BFr6.91bn.

Wagons-Lits is controlled by Accor, the French hotel group, which took over the company a year ago. Minority shareholders in Wagons-Lits are still fighting a legal battle to force Accor to increase its offer price to all shareholders.

Worms expansion to go ahead despite fall

By Alice Rawsthorn in Paris

WORMS, the French holding company with interests in insurance, shipping and luxury goods, sustained a sharp fall in first-half net profits to FFr379m ($75.3m) from FFr1.11bn a year earlier, because of the downturn in the property market.

Despite the profits downturn, Worms is pressing ahead with *expanding its insurance business* by concluding a cross-shareholding agreement between Athéna, its insurance subsidiary, and Württembergische, a German insurer.

Under the deal Athéna will hold 5 per cent of Württembergische which will take 5 per cent of the French company.

The Württembergische deal *is the latest in a series of alliances* between French and German insurance groups. Assurances Générales de France has built up a sizeable holding in Aachener & Münchener, while Union des Assurances de Paris is in talks with France's Suez group to acquire an interest in Colonia, another German insurer.

Creditor banks block KIO's debts move

By Tom Burns in Madrid

THE Kuwait Investment Office's attempt to extricate itself from its large and haemorrhaging property interests in Spain has met with a blanket refusal from creditor banks to accept a debt-for-equity swap.

This development has brought Prima Inmobiliaria, a KIO-controlled property company, close to bankruptcy in what would be the second crash of a KIO Spanish asset in less than three months. In July Ercros, KIO's big Spanish chemicals group, went into receivership owing more than Pta200bn ($2bn).

The KIO *faces an additional* problem with Prima, which has debts of Pta57bn. At issue is the extent of KIO's holding in the *property company and* this dispute brings to the forefront a row between the present and former managers of KIO *and its Spanish invest*ment arm, Grupo Torras.

Grupo Torras acknowledges that a 32.45 per cent holding *in Prima is contested by the* banks which claim its actual equity could be in excess of 60 per cent. This higher figure takes into account the stakes in Prima of the two men who masterminded the growth of Grupo Torras – Mr Fouad Jaffar, KIO general manager until 1990 and Spanish financier Mr Javier de la Rosa, who severed his connections with KIO earlier this year.

Grupo Torras says it is not responsible for such shareholdings while the banks claim they were all brought together at the time the loans were made to Prima.

Grupo Torras' new management is investigating the business dealings of Mr Fouad, Mr de la Rosa and their associates *in the KIO's investment* drive into Spain.

The Italian financier Mr Carlo Bonomi, chairman of the Saffa paper group which owns 5.77 per cent of Prima, resigned from Prima's board last week alleging that Grupo Torras's shareholding in the property company was greater than had been publicly stated.

Weak metal price hits Alcoa's third quarter earnings

By Laurrie Morse in Chicago

A FALL in the price of *aluminium has left third-quar*ter earnings of Aluminum Co of America (Alcoa), the world's largest producer of the metal, 18 per cent lower at $62.2m, or 72 cents per share, down from $75.9m, or 88 cents, a year earlier. Sales slipped to $2.4bn from $2.5bn.

For the first nine months earnings fell by 58 per cent to $107.6m, or $1.24 a share, from $254.1m, or $2.97. A large part of this fall was due to extraordinary second-quarter losses and special charges of $104.7m, or $1.22 per share, relating to debt restructuring and the sacking of about 2,500 employees. Excluding *the special* charges, Alcoa's 1992 earnings to date came to to $212.3m, or $2.46 a share.

The rest of the slide in nine month earnings was due to lower prices for alumina, ingot, and most fabricated products, *the company said.*

Mr Victor Lazarovici, of S. G. Warburg in New York, said the results were "surprisingly strong". *He pointed* to the cost reductions, and noted that Alcoa's realisations from manufactured products rose to $1.38 a pound, up from $1.33 in the second quarter, and $1.30 in the first.

As expected, the company's aluminium product shipments fell in the third quarter, to 675,000 tonnes, from 726,000 a year earlier.

The third-quarter earnings were struck after unfavourable foreign exchange adjustments of $8.1m compared with $7.4m.

Alcoa's stock closed down ⅛ at $64⅛ on Wall Street after the results were released on *Friday.*

CRA restates accounts and ends ASC dispute

By Kevin Brown in Sydney

CRA, the Australian resources group, has restated its *1990/91* accounts after settling a long-running dispute with the Australian Securities Commission (ASC) over accounting practices.

The ASC queried CRA's treatment of several items as extraordinary rather than abnormal, including a A$134m (US$95.7m) writedown of downstream aluminium businesses and a A$159m transfer of surplus pension contributions.

CRA said it believed the treatment was acceptable under Australian accounting standard AASB 1018. However, the group has accepted the ASC's view that the standard *"is capable of other interpretations".*

The effect of the restatement is to increase CRA's net profits after abnormal items to A$396m from A$350m. However, the bottom-line losses after extraordinary items remains unchanged at A$34m.

CRA also released restated results for Comalco, its 67 per cent-controlled aluminium subsidiary. Comalco's net profits, after abnormals of A$27m, become net losses of A$67m, but the bottom-line losses remain unchanged at A$67m.

Telecom NZ names new chief

By Terry Hall in Wellington

TELECOM Corporation of New Zealand, which is controlled by Bell Atlantic and Ameritech, has announced the appointment of Mr Roderick Deane as chief executive and managing director.

The appointment has caused widespread surprise. Mr Deane, who was formerly chief economist and deputy governor of the Reserve Bank of New Zealand, has headed Electricorp Corporation, the state enterprise, since 1987.

NEWS IN BRIEF

Hewlett to cut 2,000 jobs in US

HEWLETT-Packard, the US computer group, plans to cut *2,700 jobs, including 2,000 in* the US, through a voluntary severance incentive programme, Louise Kehoe reports from San Francisco.

A fourth-quarter charge of about 40 cents a share will cover the cost of programme.

■ MOODY'S, the US rating service, has upgraded the long-term debt of media group News Corp subsidiaries from B1 to Ba2 for senior unsecured debt and from B3 to B1 for subordinated debt. Preferred stock has been upgraded from b3 to b1, Alan Friedman reports from New York.

Moody's also assigned a Ba2 rating to News America's proposed $1bn of senior notes and debentures.

■ THE board of South Korean steelmaker Posco has elected vice-chairman Mr Hwang Kyung-ro as chairman, John Burton reports from Seoul.

Mr Hwang has been with the company since it was set up in *1968. He replaces Mr Park Tae*joon, who resigned last week for political reasons.

■ *HAFNIA Holding of 1992*, the new holding company for Danish insurer Hafnia which went into payment suspension in August, continues to bleed, Hilary Barnes reports from Copenhagen.

The value of assets it took over from the original Hafnia, including stakes in Baltica, the Danish insurer, and Skandia, of Sweden, have fallen to DKr3.2bn ($559m) from DKr5.9bn when it was set up.

■ LAWSON Mardon, the Canadian packaging group, has acquired Cartonajes Suner, one of Spain's largest packaging companies, Bernard Simon reports from Toronto.

Lawson is paying C$13.2m (US$10.5m) cash for Suner plus a C$51.5m *non-interest bearing* subordinated bond. The seller is Cragnotti & Partners Capital Investments, the Italian investment group, Lawson's controlling shareholder since early 1991.

UK GILTS

Hopes of interest rate cut spark advance

THE gilt market advanced last week on the back of a stronger *pound and indications that* Germany may soon ease credit policy, opening the way for a reduction in base rates.

With inflationary pressures in the UK likely to stay relatively subdued for some time as a result of the recession, demand for gilts was strong across the spectrum of the yield curve, causing a rise in *prices of up to one point on the* week.

The gains recorded by both short and long-dated gilts made last week the healthiest for the market since Black Wednesday on September 16, when the pound left the exchange rate mechanism.

Yields fell slightly, with the 8¾ per cent Treasury bond maturing in 1997 seeing a *fall* in yield of about 10 basis points to 8.3 per cent on Friday night. There was a similar reduction in the yield of the 9 per cent

Norman Lamont: new target

Treasury stock due in 2012, which had a yield quoted at 9.27 per cent at the end of the week.

Some of the gains in price for *stock of the long-dated variety* – demand for which had been slack in the previous two weeks – reflected the perception by some investors that the price falls for these bonds had made the securities something of a bargain.

Helping the recovery in gilt prices was the healthier tone to sterling, which advanced to more than DM2.50 by Friday night, well up on the levels of around *DM2.40 earlier* in the week.

Some of the gains in sterling were the result of a settling of nerves in the currency markets after the traumas of the pound's devaluation.

Perceptions from Germany that the Bundesbank might be getting ready to ease credit rates following signs of an increasingly-serious German economic slow-down helped to push the D-Mark down against sterling as well as other currencies.

Assuming sterling continues to perform reasonably strongly and the German central bank cuts rates in the next month or so, the way would probably be clear for a base rate reduction from 9 per cent to around 8 per cent by the end of the year, helping gilt prices at the short end of the market.

Expectations that the Bank of England may be preparing the ground for a cut in base rates strengthened slightly on Friday when the Bank announced it would issue £800m of 8¾ per cent Treasury bonds due in 1997 at a price of £102, available from today.

With the Bank's funding needs for this financial year virtually complete, the Bank had no specific requirement to *issue this kind of stock. Since* issuance of such short-dated securities have in the past presaged a reduction in base rates, some market participants believed the announcement was another pointer towards an easing in short-term borrowing rates fairly soon.

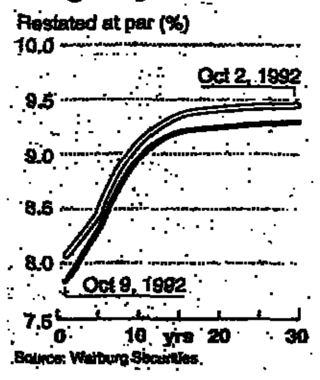
The gilts market was little impressed by the announcement by Mr Norman Lamont, the chancellor, of a new inflation target for Britain. Under Mr Lamont's plan, the Treasury will try and keep underlying inflation – as measured by the year-on-year rise in the retail prices index, excluding mortgage payments – at between 1 and 4 per cent. The level of 4 per cent happens to be what the underlying growth in this measure was in the 12 months to September.

However, several market participants said that Mr Lamont was careful to provide an escape clause, with the suggestion that the target could be allowed to be exceeded in the *event of unexpected price* movements resulting from changes in the terms of trade – such as might result from a devaluation in sterling.

Peter Marsh

UK gilts yield

Restated at par (%)



Source: Warburg Securities

FRENCH GOVERNMENT BONDS

Bérégovoy in hands of Bundesbank

IF there is one thing that Mr Pierre Bérégovoy, the French prime minister, hates it is being reminded of the extent to which the course of the French economy is dictated by Germany.

Unfortunately for Mr Bérégovoy, the single most important issue on France's economic agenda – whether and when official interest rates come down – is firmly in the hands of the Bundesbank. France cannot risk lowering its interest rates until the Germans do so.

Last week French government bonds staged a slight rally as fears of another attack on the franc receded and hopes rose that the Bundesbank will reduce interest rates. The yield on the benchmark 10-year OAT government bonds ended the *week at 8.53 per cent, against* 8.61 per cent a week before. But if there is the slightest sign of a change in attitude from the Germans, French *bonds could plummet again.*

For the moment investors appear optimistic. Mr François Systermans, a bond trader at Paribas in Paris, says: "The market seems a bit more confident. Domestic investors are putting their money back into bonds. The UK houses have stopped selling and are starting to buy again, so are the US investors. The French *market is much more stable.*"

But the chief source of this new-found stability is the expectation of a rate cut by the Germans. This means that *French government bonds are* still very vulnerable to the threat of another *volte face* from the Bundesbank.

Mr Jean-François Mercier, economist with Salomon Brothers, says: "The market is still jittery. There has been an improvement in French bonds on expectations of a reduction *in German rates. If there is a* reduction in Germany, France will follow. French bonds will then rise further and the spread with German bunds should narrow.

"But if the hopes of a cut in German rates are disappointed, we could see a very different scenario. The market would become nervous about how much longer France could sustain high real interest rates and stagnant growth."

In theory the bond market should be bolstered by the underlying strength of the French economy, which is still performing better than most of its international competitors. However, the economic outlook *is now far less rosy than it* seemed even a few months ago.

The recent stream of lacklustre interim results from France's big industrial groups *has raised concern* about growth prospects for the second half. There are also fears about the impact of the strong franc on French exports next year.

In the meantime a sharp fall in corporate investment – and in demand for consumer credit – illustrates the impact of *high real interest rates.*

Goldman Sachs, already forecasting growth of just 1.5 per cent for France in 1992, rather than the official projection of 2 per cent, has reduced its growth expectations for 1993 from 1.6 per cent to 0.7 per cent.

The position could worsen if official interest rates remain high and French banks are forced to pass on the increase in their own credit costs to their customers, thereby increasing the financial pressure on the corporate sector and triggering another round of investment cuts.

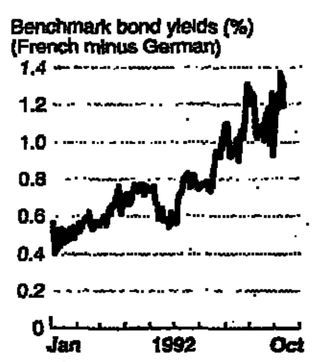
Such a turn of events could be avoided, of course, if France *is able to lower official interest* rates, and that depends on the Bundesbank.

Mr Mercier says: "All the signs suggest that we should see a reduction in German and French rates within the next quarter. But we've been saying that for the past two years."

Alice Rawsthorn

Yield spread

Benchmark bond yields (%) (French minus German)



Source: Datastream

US MONEY AND CREDIT

Uncertainty over fiscal policy induces caution

AFTER an extremely trying week, the US bond market will be hoping that the traditional calm that accompanies today's Columbus Day holiday – the *markets are open, but the* banks are closed and trading is normally subdued – will be extended for a few more days.

US Treasury investors will also want to think about anything but Federal Reserve monetary policy after the disappointments of a week which saw what one Wall Street analyst called a "wrenching trans*formation of psychology about* Fed policy".

Although the final blow to the market's hopes for easier monetary policy was inflicted by an article in Friday's Financial Times – which said that a senior Fed official believed there would be no further interest rate cuts before election day (November 3) – prices had been edging lower and yields inching higher for most of the week as the excitement surrounding the monthly meeting of the policy-making open market committee (FOMC) faded.

Given that the market had been bubbling with rate-cut *fever since late September,* the *apparent final confirmation* that monetary policy would not be changed warranted a big correction in bond prices.

The result was that long-term yields, which had dropped as low as 7.3 per cent at the start of the month, rocketed up to more than 7.5 per cent as many of the trades made in anticipation of a rate reduction were unwound in a hurry. Rates on short-term securities jumped by a similar 20 to 25 basis points.

Bill Clinton: policy concern

The explanation for the decision not to ease centred on the ambiguity of recent economic statistics, and an argument that the economy was not sufficiently weak to warrant further monetary stimulus, at least for the moment.

Another possible explanation put forward by some observers *suggested* that the Fed did not want to cut interest rates because it is worried by the prospect of a Democratic victory in the presidential election. Assuming Mr Bill Clinton became president, it would not *be long before he passed a* potentially deficit-widening fiscal package through a compliant Congress. The Fed may therefore be wary of cutting interest rates now because the combination of lower rates and higher spending could prove dangerously over-stimulative for the economy.

Although it is unlikely that the Fed's policy managers had the image of a President Clinton on their minds when they made their decision at the FOMC last week, the question *of what* a Democratic victory means for the bond market is one that investors are now beginning to ask themselves.

It is possible that some of the recent fall in bonds can be put down to investors cautiously pricing into the market the impact of a Clinton victory. Their main concern is that the Democrat's fiscal policy, in particular the party's ambitious spending plans, will add to the deficit and push interest rates higher.

The problem for the market, *however, is not that it is scared* about what Clinton might do, but rather that it is scared about all the uncertainty surrounding what he might do.

Mr Mitchell Held, economist at Smith Barney, says: "What this uncertainty translates into is more fodder for the markets to worry about."

Patrick Harverson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106⅜	−⅛	4.46
ABN 9 1/8 94	200	107½	−½	4.69
AETNA LIFE & CAS 7 3/4 16	200	102⅞	−1⅛	7.49
ALBERTA PROVINCE 8 5/8 96	750	109⅝	−⅛	5.92
ALBERTA PROVINCE 9 3/8 95	600	111⅛	−½	5.24
AMERICAN EXPRESS ZERO 00	450	53⅛	−⅜	8.04
AMERICAN GENERAL 9 3/4 95	100	110½	−⅛	5.48
AMERICAN INTL 0 04	750	41⅛	−⅛	7.79
ASIAN DEV BANK 0 04	1000	42	−⅛	7.57
ASIAN DEV BANK 8 96	100	108	−⅛	5.79

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	93	+1	6.68
COUNCIL EUROPE 4 3/4 98	250			5.97
EIB 6 3/4 04	300	101⅞	+1⅛	6.52
ELEC DE FRANCE 7 1/4 06	100	104⅛	+⅞	6.69
FINLAND 7 1/4 99	300	104	+⅛	6.52
GENERAL MOTORS 7 1/2 95	100	101	+⅛	7.02
HYUNDAI MOTOR FIN 8 1/2 97	100	101¼	+⅛	8.18
ICELAND 7 5/8 00	100	103½	+⅛	7.02
JAPAN DEV BK 5 1/2 94	100	98½	+⅛	6.68
KOBE 6 3/8 01	240	100⅞	+2⅛	6.26

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn – current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
Closing prices on October 9

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL EQUITIES

Companies find the gloss has faded from foreign listing

ARE foreign listings going out of fashion? During the 1980s – when securities markets were meant to go "global" – getting a listing abroad was all the rage.

Investors around the world wanted to buy shares in foreign companies, ran the theory, so what better way to sell shares to them than list on their local exchanges?

For many companies, however, this proved expensive and time-consuming. Like many theories of the globalisation era, experience has shown it to be overly simplistic. Recent experience suggests the high-water mark of foreign listings has passed. In London the number of foreign companies seeking a listing peaked at 84 in 1984, falling to 38 in 1990. Last year there were 20 and this year so far eight.

There is a steady flow of companies delisting, on the other hand. That may be because of merger or takeover or because the amount of trading did not live up to the companies' hopes. Whatever the reason, at 533 the number of overseas listed companies could be past its peak.

This phenomenon is not restricted to London. UK companies are pulling back from foreign listings. Aegis, a media buying company, last week said it was giving up its listings in Paris and New York, to save itself £250,000 a year in compliance costs.

Tokyo, meanwhile, suffered the indignity last month of losing five big foreign listings, including GM, Philips and News Corp. It is not too hard to see why these companies' ambitions were frustrated. Most foreign shares are bought by institutions and these investors generally have access to a foreign company's domestic market.

The replacement of floor-trading by screens, the greater flow of information internationally and the advent of broker-dealers with sales-forces spanning the globe means companies no longer have the same need to list on foreign markets. A second reason is that liquidity has not developed in most off-shore markets.

It turns out that foreign investors value liquidity, and the chance to trade at prices determined by domestic investors, more than they value the ability to trade when domestic markets are shut or the convenience of having foreign companies sitting alongside domestic ones on local exchanges.

Foreign listings are not about to vanish. They are still used by consumer product companies and others for marketing reasons, for instance. For companies wanting to raise money, rather than just create a new market for their shares, it may be useful to go through the disciplines of complying with local prospectus requirements.

That is especially true in the US, the world's largest domestic capital market. Compliance with Securities and Exchange Commission regulations and US accounting practices is a stiff requirement which many companies are prepared to fulfil – even though there is now a growing private market for companies which are exempt under Rule 144a.

Unless and until the SEC relaxes its disclosure requirements, this is likely to remain the case.

Richard Waters

INTERNATIONAL BONDS

Hybrid production from Walt Disney

EUROBOND investors were last week offered a new type of debt/equity hybrid, when Walt Disney, the US entertainment company, launched a bond issue with interest linked to its film revenues.

More than half the deal is being placed in the US, under a Rule 144A option. With US interest rates at a low point, US insurance companies, no longer able to gain double digit coupons even in the junk bond market, are particularly hungry for the potential yield the structure offers.

However, the deal, which was extensively marketed prior to launch, requires an understanding of the company not normally required of bond investors.

"If you like the movie part of Disney equity and not the theme park part, then this offers the right exposure," said one banker.

The $400m Eurobond issue of senior participating notes due 1999 pays interest of 7½ per cent for the first 18 months and 1½ per cent thereafter. In addition, payments of contingent interest will be made if film revenues generated by a $400m portfolio of live action films exceed $800m over the life of the notes. Subsequently, eligible revenues are split with the company, up to a maximum of $240m

Thus interest payments will fall in a range of 3 per cent to 13½ per cent, according to Citicorp. The deal is arranged by Citicorp Investment Bank, with US placement arranged by Lehman Brothers.

Revenue participation is already an established part of film financing. Loans with profit participation for lenders developed from the traditional means of financing through limited partnerships. The latest deal is a public offering of a structured transaction which works on the same principle as these loans with profit participation.

For Disney, the deal also has a strategic goal. The company is cash rich, and could use its internal cash flow to finance its films. However, the structure of the deal – which means that interest costs fall and rise in line with revenues – will have the effect of smoothing out its earnings profile. This is desirable since Wall Street marks down shares with a volatile performance.

Tracy Corrigan

Anthony Harris

The down-sizing of Great Britain Plc

INDEXED bonds are the investment flavour of the month. They may look boring, but they have one great merit: they offer all-risks anti-Tory insurance. If our future is to be slump, real interest rates will fall; if we get the traditional inflationary dash for growth, investors are still covered. There is even a bonus: as indexed issues pile up, the market is at last gaining real liquidity. This alone may help to drive yields down further. Indexed will be a bad choice only if we can expect an ordinary cyclical recovery.

This seems at best an outside chance, because in Brighton last week the Tories lived fully up to their old name – the stupid party. Patriotism, clearly, is the last refuge not only of scoundrels, but of fools. We were left with foreign policy of sulking our way into Europe, an economic policy of blind faith in men of proved poor judgment, and a government not only facing recession, as most are, but with not the ghost of an idea of what to do about it. On the contrary, it seems bent on making a bad situation worse.

One example must suffice: the apparent decision, in the name of public expenditure control, not to build a Jubilee Line extension to Docklands. This will have an effect not only on the PSBR, but on the banks, which will have to make further large provisions against their Docklands book. This loss of capital can only be met by further attempts to down-size bank balance sheets: by calling in loans, and refusing new ones, and by squeezing surviving borrowers for more revenue.

These are the very actions which have already produced the worst downturn for a generation. Has any official warned ministers about this? From the Bank, very possibly; but from the treasury, probably not. There has been no signxyet in what ministers say, or more significantly in what they do, that they understand the financial forces which drive debt deflation. The Fed knows about them, and so do the Japanese and Australians; but not Mr Major and his backward-walking crew.

The one implied hope that was left was that sterling devaluation would enable the UK to enjoy more than its share of a recovery initiated by wiser policies in other countries. But this seems unlikely. The only big reflation is planned in Japan; but Japanese demand for imports is so low this will have little impact. So far as the UK is concerned, fiscal deflation in Germany, Italy, and Sweden, with its depressing impact in neighbouring countries, will more than outweigh whatever Tokyo may do.

This leaves the US. Assuming that Governor Clinton does nothing disastrous, a change of regime and of policies can be expected there. The new policies will include a public investment stimulus on New Deal lines, which is possible because the US fiscal rules, unlike British, allow investment spending to be counted off-budget. With a friendly Congress, an effective attack on Washington waste is also possible. This is a promising approach; and since any real US recovery is also likely to trigger a strong dollar recovery, the international impact will be truly helpful. Don't rush to buy equities, though. Investment spending always has a lumbering take-off; and Mr Clinton's record is that of a cautious man. Wall Street would look attractive, were it not for the clear risk of a crash between now and lift-off. London is still caught in a trap of ever-downward expectations.

In London, the only hope lies in interest rates. The anti-inflationary rhetoric in Brighton makes cuts likelier than not. This is the normal cover story of those about to relax monetary policy, as Mr Paul Volcker memorably showed in 1982. His huge interest rate cuts were prefaced by an anti-inflationary lecture so fierce it frightened the bond markets. But can any plausible cuts offset the government's determination to deflate at the bottom of a recession, while resisting the deep devaluation which worked this trick in 1982? Indexed still look the best sterling bet for the cautious. For bold pessimists, conventionals.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Chiyoda Corp.(a)♦	270	1996	4	1.5	100	Nomura Int.	-
Citizen Watch Co.(d)♦	200	1996	4	1.5	100	Nikko Europe	-
Showa Electric(e)♦	150	1996	4	1.5	100	Daiwa Europe	-
Kansai Int. Airport Co.	200	1999	7	6.25	99.8	Bank of Tokyo CM	6.286
Tateyama Aluminium(e)♦	100	1996	4	1.5	100	Daiwa Europe	-
Asfinag(k)‡	200	1996	4	(k)	99.88	UBS P&D	-
Walt Disney Co.(o)	400	1999	7	(o)	101	Citicorp/Lehman	-
YEN							
Republic of Finland	75bn	1998	5.5	5.25	99.35	IBJ Int.	5.382
Jets Int.(f)‡★★	4bn	1996	4	(f)	100.3	Mitsubishi Fin.	-
Kumagai Gumi Co.	70bn	2000	7.25	5.75	101.375	Daiwa Europe	5.510
D-MARKS							
Citizen Watch Co.(d)♦	100	1996	4	4	100	Bayerische LBk	-
LKB Finance	400	2002	10	7.625	102.25	Trinkaus & Burkhardt	7.300
Zuken Inc.(e)♦	150	1996	4	4	100	Daiwa (Deutsch.)	-
Rokkatei(g)‡★★	12	1997	5	(g)	100	Fuji Bk(Deutsch.)	-
Eurofima	200	2002	10	7.5	101.125	Deutsche Bank	7.337
BNL(i)‡	75	1995	3	(i)	99.9	Hesse Newman	-
GECC(l)	50	1997	5	7.75	102.6	M.Stanley/SBV	7.108
Bank of Tokyo(Cur.)★★	50	1996	4	7.75	101.4	Bk.of Tokyo(Deutsch.)	7.339
STERLING							
Britannia Bldg.Soc.(n)	50	-	-	13	107.125	Hoare Govett Corp.Fin.	13.000
FRENCH FRANCS							
European Inv. Bank	2bn	2002	10	8.75	98.84	Société Générale	8.930
Crédit Local de France(p)	1.5bn	2002	10	8.875	99.37	Crédit Lyonnais	8.972
GUILDERS							
Nederlandse Inv. Bank	200	2002	10	7.75	100.35	ABN AMRO	7.699
SWISS FRANCS							
Keiyo Co.(b)♦★★	80	1996	4	3.125	100	Bank Leu	-
Shinobu Foods(c)♦★★	40	1996	4	3.25	100	Nomura Bk(Switz.)	-
Daito Gyorui Co.(a)♦★★	25	1996	4	3.25	100	Nikko Bk(Switz.)	-
Republic of Ireland	150	2002	10	6.625	101.75	UBS	6.383
Ohtsu Tire & Rubber(h)♦★★	50	1996	4	3	100	Nomura Bk(Switz.)	-
Gekkeikan Sake Co.★★	15	1997	5	6.875	100.25	DKB (Schweiz)	6.814
Miyagi Construction★★	10	1999	7	6.875	101	IBJ (Schweiz)	6.691
Matsuo Bridge Co.(e)♦★★	35	1996	4	3	100	Swiss Bank Corp.	-
Sakai Ovex Co.(j)§★★	30	1997	5.417	4	100	Nikko Bk(Switz.)	-
World Bank	500	1999	7	6.25	101.75	UBS	5.937
OKB	*300*	*2002*	*10*	*6.25*	*101*	*Swiss Bank Corp.*	*6.113*
Kingdom of Belgium	200	1997	5	6.5	101.75	Crédit Suisse	6.084
Chiyoda Co.(m)‡★★	50	1996	4	(m)	100.875	Sakura Bk(Schweiz)	-
GECC★★	85	1999	7	6.25	101.75	Swiss Bank Corp.	5.941
LUXEMBOURG FRANCS							
Ippa Finance Co.	750	2000	2	8¾	102.1	Cregem Int. Bank	8.379
Cregem Int. Bank★★	300	1995	3	9	102.5	Cregem Int. Bank	8.030
BBL Int.	1bn	2002	10	8.5	101.5	Crédit Européen	8.277

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♣Variable rate note. a) Exercise premium fixed at 2.5%. b) Exercise premium fixed at 2.5%. Callable on 20/10/94 at 101% declining by ¼% semi-annually. c) Exercise premium fixed at 2.51%. Callable on 18/10/94 at 102% declining by ½% semi-annually. d) Final terms fixed on 13/10/92. e) Final terms fixed on 12/10/92. f) Coupon pays 50bp above Yen 3-month Libor. Floating rate can be changed to fixed rate at note holders request. g) Coupon pays 35bp above 6-month DM Libor. h) Final terms fixed on 12/10/92. Callable from 22/10/94 at 102% declining by ½% semi-annually. i) Coupon pays 6-month DM Libor. j) Coupon payable semi-annually. Final terms fixed on 13/10/92. Callable and putable on 31/3/95 at 108⅞%. Callable from 31/9/95 at 101½% declining by ½% semi-annually. k) Coupon pays 10bp below 3-month Libor. l) New tranche to DM200m bond of 25/9/92. Fungible 40 days after paydate. Plus 12 days accrued interest. m) Coupon pays 45bp above 6-month Libor for 3 years and pays 6-month Libid in final year. Putable in 3 years at par. n) Issue of PIBS fungible with existing 60m in issue. Shares are undated and irredeemable and coupon is payable semi-annually. o) Coupon pays 7½% for first 18 months and 1½% thereafter and is payable semi-annually. Additional interest payments are linked to the revenue performance of films p) Fungible with existing FFr3bn issue. Plus 148 days accrued interest.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close October 9

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close October 9

[illegible]

Total Sales 14,581,600 shares

INDICES

NEW YORK

DOW JONES	Oct 9	Oct 8	Oct 7	Oct 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3136.58	3176.03	3152.25	3178.19	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.48	102.54	102.47	102.52	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1219.56	1244.33	1238.49	1253.80	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.76	216.07	215.57	216.14	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3176.57 (3195.48) Low 3120.37 (3135.77) (Theoretical)♠
Day's High 3176.30 (3178.19) Low 3131.72 (3145.77) (Actual)♠

STANDARD AND POOR'S	Oct 9	Oct 8	Oct 7	Oct 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	402.66	407.75	404.25	407.18	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	471.36	478.06	473.47	477.00	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.17	35.45	35.39	35.52	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	222.11	224.62	222.84	224.09	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	364.85	367.01	366.88	367.71	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	570.52	573.88	569.20	570.55	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 2	Sep 25	Sep 18	year ago (approx.)
Dow Industrial Div. Yield	3.24	3.19	3.10	3.12

	Oct 7	Sep 30	Sep 23	year ago (approx.)
S & P Industrial div. yield	2.80	2.70	2.68	3.24
S & P Indl P/E ratio	26.45	27.40	27.57	20.53

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Ford Motor	5,442,200	34¾	- 2¼
Brilliance	3,919,700	20¼	----
Philips Pet	3,165,800	24	- ¼
Adv Micro	2,797,900	11¼	- ⅝
Gen Motors	2,705,500	29½	- 1
Merck	2,701,800	41½	- 1¼
Compaq Com	2,428,300	36½	+ ¼
Coca Cola	2,339,400	37	- ⅝
RJR Nabisco	2,179,900	8¼	- ¼
Gucorp	1,705,300	14⅞	+ ½

TRADING ACTIVITY

† Volume (Millions)	Oct 9	Oct 8	Oct 7
New York SE	178.910	203.780	183.100
Amex	9.530	10.212	8.725
NASDAQ	(u)	197.854	156.519
NYSE			
Issues Traded	2,303	2,301	2,298
Rises	516	1,066	680
Falls	1,186	639	993
Unchanged	601	596	625
New Highs	28	35	26
New Lows	62	52	36

CANADA

TORONTO	Oct 9	Oct 8	Oct 7	Oct 6	1992 HIGH	1992 LOW
Metals & Minerals	2650.40	2681.94	2637.92	2683.71	3238.87 (16/1)	2637.92 (7/10)
Composite	3218.49	3237.20	3215.36	3229.50	3666.00 (16/2)	3215.36 (7/10)
MONTREAL Portfolio	1677.58	1691.53	1676.69	1686.58	1937.59 (16/1)	1668.96 (2/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 9	Oct 8	Oct 7	Oct 6	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1466.2	1465.6	1455.4	1452.4	1684.50 (22/5)	1452.40 (6/10)
All Mining (1/1/80)	638.0	640.9	635.7	635.5	726.80 (3/7)	635.50 (6/10)
AUSTRIA						
Credit Aktien (30/12/84)	320.77	320.35	319.56	319.17	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	776.16	774.12	771.53	768.55	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1094.87	1089.27	1077.15	1068.82	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	255.10	255.35	254.73	258.02	365.29 (15/1)	254.73 (7/10)
FINLAND						
HEX General (28/12/90)	607.9	613.6	612.2	603.1	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	454.69	449.76	441.70	443.74	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1657.34	1673.86	1654.15	1612.51	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	573.47	576.42	570.27	567.62	725.26 (26/5)	567.62 (6/10)
Commerzbank (1/12/53)	1617.70	1626.80	1607.60	1599.2	2043.80 (25/5)	1599.20 (6/10)
DAX (30/12/87)	1439.66	1451.12	1436.05	1420.30	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5596.71	5555.53	5589.03	5553.12	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1116.69	1115.43	1102.94	1126.32	1469.57 (17/1)	1102.94 (7/10)
ITALY						
Banca Com. Ital. (1972)	397.57	382.47	369.93	361.11	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	786.0	755.0	730.0	711.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17059.78	17335.51	17111.74	17268.10	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1298.65	1304.69	1299.09	1299.13	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1691.10	1692.76	1693.14	1688.07	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	600.25	591.77	590.59	590.78	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	286.8	287.0	285.5	285.3	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	193.4	193.5	192.5	192.4	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	583.45	578.31	575.54	573.63	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1408.13	1403.82	1407.80	1417.78	1580.95 (11/6)	1083.81 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	355.02	355.25	359.63	358.96	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	853.04	861.0	874.0	895.0	1327.00 (21/1)	853.00 (9/10)
JSE Industrial (28/9/78)	4066.04	4082.0	4080.0	4088.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	524.27	518.43	524.38	507.76	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	193.91	192.71	186.80	183.15	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	668.00	653.1	655.50	643.1	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	839.5	835.2	828.5	818.0	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	636.0	633.0	629.7	619.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3622.75	3688.21	3692.12	3562.87	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	886.34	883.36	872.60	865.52	886.34 (9/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	483.8°	487.1	486.7	486.9	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	805.58	801.53	792.36	780.04	976.55 (25/5)	772.52 (5/10)

**Saturday October 3: Taiwan Weighted Price: 3704.25, Korea Comp Ex. (c)
& Subject to official recalculation. °Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday October 9 1992

	Stocks Traded	Closing Prices	Change on day
Sumitomo Chem	7.0m	471	+12
Chiyoda Corp	6.2m	1,920	-10
Mitsui Mtn & Sm	4.2m	475	-13
NPN Steel Corp	4.2m	294	+1
Niigata Eng	3.7m	530	+8
Nippon Mining	3.8m	489	-6
Mitsubishi Kasei	2.7m	402	-14
Kawasaki Hvy	2.6m	407	-1
Green Cross	2.6m	1,580	
Mitsui Eng	2.6m	428	+6

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Prices data supplied by Telekurs.

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Grofund American	5	126.8	128.1	134.8	0.15	40644
AIB Grofund Equity	5	179.3	182.2	192.9	1.87	40593
AIB Grofund Euro	5	130.1	132.4	139.4	0.65	40594
AIB Grofund Gilt	3	71.51	71.50	73.74	5.89	40595
AIB Grofund Japan	5	113.4	114.6	120.7	0.00	40596

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
General Inc	5	355.1	357.5	380.4	3.50	40401
General Acc	5	386.7	389.5	414.2	3.50	41570
UK Growth Acc	6	262.0	266.4	283.5	3.93	40392
UK Growth Inc	6	191.0	194.2	206.7	3.93	40393
Higher Inc Acc	6	439.8	446.0	476.7	5.58	40394
Higher Inc Inc	6	277.5	282.7	300.8	5.58	40395
Gilt&Fxd Int Acc	3½	189.1	199.7	168.2	7.45	40396
Gilt&Fxd Int Inc	3½	85.88	86.07	90.61	7.45	40397
North American	6	199.1	199.5	212.3	0.00	40398
Far East	6	208.1	209.3	222.4	0.57	40399
Euro	6	186.4	186.4	198.3	0.91	40400
Brit Excell	6	53.62	53.62	57.05	4.04	40402
Brit Fndmtls Acc	6	67.94	67.94	72.28	6.40	40403
Brit Fndmtls Inc	6	53.33	53.33	56.74	6.40	40404
Global Opps	6	52.88	53.72	57.15	0.07	40405

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced Growth	6	76.77	77.88	83.30	2.40	40427
Do (Accum)	6	83.82	85.03	90.95	2.40	40429
Smaller Cos	6	57.84	57.84	61.86	2.61	40431
Do (Accum)	6	61.77	61.77	66.07	2.61	40434
Higher Yield	6	30.06	30.43	32.55	5.57	40429
Do (Accum)	6	40.64	41.14	44.00	5.57	40430
American Gth Inc	6	39.56	39.81	42.57	0.16	40423
Do (Accum)	6	40.31	40.56	43.38	0.16	40424
European Growth	6	82.37	82.37	88.09	2.09	40319
Do (Accum)	6	83.13	83.13	88.91	2.09	–
Global Bond Inc	6	26.66	26.70	28.34	5.11	46695
Do (Accum)	6	31.95	31.99	33.96	5.11	46696
Managed P'folio Inc	6	26.32	26.39	28.22	0.00	40147
(Do Accum)	6	26.39	26.46	28.30	0.00	40162
Pacific Growth Accum	6	70.25	70.97	75.91	1.03	40323
Intl Spec Opps Accum	6	60.05	61.06	65.31	1.83	40320

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mngd P'folio Inc	6	70.01	70.01	74.56	2.79	40186
Mngd P'folio Acc	6	131.1	131.1	139.6	–	40187
UK General	6	116.8	116.8	124.4	4.08	40188
Conv & General	6	14.47	14.47	15.41	10.01	40190
European Inc	6	19.18	19.18	20.64	0.55	40191
European Acc	6	19.70	19.70	21.20	–	40192
Financial	6	84.87	84.87	90.39	4.92	40194
Foundation	6	57.12	58.73	62.56	4.49	40534
German	6	35.43	35.43	37.97	0.11	40195
Growth Inc (3-1)	5	24.58	24.58	26.23	3.53	41583
Growth Acc (3-1)	5	28.37	28.37	30.28	–	40223
High Income	6	56.83	56.21	60.59	7.76	40196
Income	6	94.49	96.54	103.3	5.62	40197
Intl Income	6	75.74	75.74	80.66	5.98	40199
Intl Growth ♣	6	25.68	25.68	27.35	0.29	40198
Monthly Income	6	52.73	54.76	58.32	5.78	40512
North American	6	77.15	77.15	82.16	0.26	40199

Confederation Funds Mngt Ltd (1200)F
Lytton Way, Stevenage, Herts

Unit Name	Init Chrge	Canc. Price
Growth Inc	6	41.41
Growth Acc	6	42.18
High Income	6	24.38
Japan	6	21.40
Smaller Cos Inc	6	18.93
Smaller Cos	6	18.93
Canadian Exempt	3	45.88
European Exempt	3	54.65
Pacific Exempt	3	36.80
US Exempt	3	54.88
North American	6	24.84
European	6	23.57

Consistent Unit Tst Mngt Co Ltd (1200)F
1 White Hart Yd, London Bridge

Unit Name	Init Chrge	Canc. Price
Consistent UT	5	24.17
Consistent UT Acc	5	25.04

Co-op Pension Fds UT Mgrs Ltd (1000)F
78-80 Cornhill, London EC3V

Unit Name	Init Chrge	Canc. Price
Equity Dist Sep 30	0	658.1
Equity Acc Sep 30	0	542.9

Crown Unit Tst Services Ltd (1200)F
Crown House, Woking GU21 1XW

Unit Name	Init Chrge	Canc. Price
American	6	140.3
Canadian Gwth	6	20.93
Cash ♥	2	28.45
European	6	129.7
Growth	6	327.1
High Income	6	287.1
Inv Trust Fd	6	33.06
Japanese	6	181.4
Mngd Int Equity	6	30.63

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income	5	215.1	218.6	232.5	5.88	40887
(Accum Units)	5	366.4	372.5	396.2	5.88	40918
UK Growth	5	277.5	279.9	297.7	3.42	40888
(Accum Units)	5	345.5	348.5	370.7	3.42	40919
Int Equity Gth ‡	5	48.89	49.02	52.14	1.12	40889
Intl Bond	5	60.36	60.56	63.60	6.29	40890
Special Sits Gwth	5	14.09	14.57	15.49	3.64	40891
North American Gwth	5	73.02	73.26	77.93	0.96	40892
European Growth ‡	6	51.09	51.36	54.63	1.15	40106

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	112.50	112.90	118.80	6.19	47424
Pooled Pension $	3½	E127.9	132.3	136.9	–	47257
Smaller Cos	5	50.42	52.16	54.90	2.73	46203
UK General	5	103.60	105.40	110.90	2.75	–
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	327.54	327.54xd	347.19	5.96	40913
Global Inc	5	46.92	46.92xd	49.74	4.92	40916
Brit Leaders	5	279.79	279.79xd	296.58	3.44	40914
Intl Leaders	5	147.63	147.63xd	156.49	2.10	40915
P Ass Shp Bal Cwth Acc ¶	3½	45.34	45.96xd	47.75	4.48	40208
P Ass Shp Bal Cwth Inc ¶	3½	45.34	45.96xd	47.75	4.48	–
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	43.66	43.74	46.53	2.15	42492
Far Eastern Tst	6	–	–	50.00	1.00	–
Smaller Cos	5	105.9	110.5	117.5	3.09	47401
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American $	5	220.7	222.1	233.9	1.04	41390
S & W Capital	5	97.93	97.93	105.0	2.06	40181
S & W Cash $	0	100.45	100.45xd	100.45	9.21	47910
S & W European	5	97.40	97.80	103.4	1.59	40253
S & W Far Eastern	5	95.24	95.96xd	101.5	0.24	46974
S & W Growth	5	105.6	106.8xd	113.0	1.77	41391
S & W Income	5	90.90	92.15xd	97.51	6.14	41392
S & W Mxmum	5	103.4	103.4	110.9	1.98	47800
S & W Smlr Secs	5	231.2	236.7xd	250.5	1.25	41393
S & W Thoroughbred	5	119.4	119.4xd	128.1	1.92	40263
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd

Managed Fund/Her Balanced Growth Managed Fund

Life Funds

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd	165 4	174 1	-	43575
Equity Acc Fd	358 6	377.4	-	43576
Managed Acc Fd	315 3	331 8	-	43577
Prop Fd (1st hand)	-	570.1	-	43578
Prop Acc Fd (2nd han)	116 8	122 9	-	43579
Unit Trust Mn. Fd.	132.8	139 8	-	43580
RL Pension Funds				
Deposit Acc	238 9	251 5	-	43581
Equity Acc	258.3	271.9	-	43582
Fixed Int Acc	232.4	244.6	-	43583
Gilt Indx Lnk Acc	175 6	184 8	-	43584
Managed Acc	337 8	355.6	-	43585

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
JRA/M&G Managed	100 6	105 9	-	46639
[illegible]	96.50	101 6	-	46996
[illegible]	102 8	108 3	-	47133
Deposit	98.50	103 7	-	46281
Far East	102.4	107 8	-	46304
Gilts	99 10	104 4	-	46397
Greater European	103.4	108 9	-	46488
North American	106.3	111 9	-	46859
UK Equity	99.50	104 8	-	47134
Pension Funds				
JRA/M&G Managed cap	97.30	102.5	-	46800
JRA/M&G Managed acc	99 80	105 1	-	46714
[illegible]	93 20	98 20	-	47129
[illegible]	95.50	100 6	-	47128
[illegible]	103.1	108 6	-	47131
[illegible]	105.8	111.4	-	47130
Deposit cap	98.70	103 9	-	46285
Deposit acc	101.2	106 6	-	46284
Far East cap	97 60	102.8	-	46395

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Property Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Volatility continues

There were wild swings in the exchange rates for the dollar, sterling and the Italian lira against the D-Mark last week and there may be further volatility in forthcoming days, *writes James Blitz.*

UK clearing bank base lending rate
9 per cent
from September 22, 1992

Attention will focus on the Bundesbank council meeting on Thursday, with a strong expectation that the German central bank will cut its official rates after recent easing in its money market operations. However, many analysts believe that the the next figure for German M3 money supply will be in double figures and that an easing in rates is unlikely until Christmas.

The uncertainty over the differential between German and US rates hangs over the dollar, sterling and the lira. The US did not ease interest rates last week, as had been expected, and the dollar rallied 8 pfennigs to a close of DM1.4880 in New York on Friday. Uncertainty over the November 3 Presidential election probably gives the dollar a limited upside.

On Friday, the Italian lira closed at L874.4 to the D-Mark, 12 per cent higher than its low on Monday afternoon. But the near term outlook for the currency depends on the passing of the 1993 budget, which involves deficit cuts of 93 trillion lire. There will doubtless be periods of currency weakness until credibility is re-established.

Sterling, which is also floating freely outside the European exchange rate mechanism, will be affected by the UK chancellor's appearance before a select committee of the House of Commons today, in which he could further outline the UK government's economic policy. Wednesday's industrial production number for August and Thursday's figure for September unemployment will illustrate the scale of the UK recession.

£ IN NEW YORK

Oct.9	Close	Previous Close
£ Spot	1.6910-1.6930	1.6835-1.6845
1 month	0.86-0.84pm	0.85-0.83pm
3 months	2.32-2.29pm	2.33-2.30pm
12 months	7.30-7.20pm	7.45-7.35pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Oct 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	82.8	-28.7
U.S. Dollar	61.9	-16.6
Canadian Dollar	94.7	-6.7
Austrian Schilling	114.3	+15.7
Belgian Franc	116.1	+1.6
Danish Krone	115.0	+8.0

POUND SPOT - FORWARD AGAINST THE POUND

Oct 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6840 - 1.7050	1.6905 - 1.6915	0.86-0.84cpm	6.03	2.33-2.30pm	5.48
Canada	2.0900 - 2.1375	2.1175 - 2.1185	0.41-0.36cpm	2.18	0.99-0.78pm	1.67
Netherlands	2.8025 - 2.8375	2.8175 - 2.8275	¼-par cpm	0.27	¼-¼pm	0.27
Belgium	51.25 - 51.95	51.70 - 51.80	3-2cpm	0.58	4-7dis	-0.43
Denmark	9.5825 - 9.7050	9.6725 - 9.6825	1⅞-5½oredis	-4.57	8½-12⅝dis	-4.34
Ireland	0.9495 - 0.9635	0.9610 - 0.9620	1.40-0.85cpm	14.04	2.70-2.10pm	9.98
Germany	2.4875 - 2.5225	2.5100 - 2.5150	par-¼pf pm	0.30	par-¼dis	-0.20
Portugal	219.25 - 224.75	223.50 - 224.50	237-482cdis	-18.99	N/A	N/A
Spain	175.75 - 180.10	179.55 - 179.85	80-211cdis	-9.98	237-393dis	-7.01
Italy	2191.50 - 2225.50	2197.75 - 2198.75	11-14liredis	-6.82	37-40dis	-7.01
Norway	10.0500 - 10.2500	10.2000 - 10.2100	3-6⅛oredis	-5.66	10¼-16¼dis	-5.19
France	8.4500 - 8.5575	8.5100 - 8.5200	2-2¼cdis	-2.99	5¼-6¼dis	-2.64
Sweden	9.3650 - 9.4975	9.4350 - 9.4450	3½-7⅞oredis	-7.07	10⅝-15¼dis	-5.59
Japan	204.50 - 207.75	205.75 - 206.75	⅞-⅞ypm	4.73	2⅞-2⅞pm	4.85
Austria	17.30 - 17.71	17.63 - 17.66	⅞-¼gropm	0.38	1¼-¼pm	0.21
Switzerland	2.2000 - 2.2325	2.2175 - 2.2275	½-¼cpm	2.36	1½-1¼pm	2.25
Ecu	1.2795 - 1.2890	1.2855 - 1.2865	0.27-0.33cdis	-2.80	0.79-0.90dis	-2.63

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.26-4.21pm. 12 Month 7.49-7.38pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6840 - 1.7050	1.6905 - 1.6915	0.86-0.84cpm	6.03	2.33-2.30pm	5.48
Ireland†	1.7705 - 1.7760	1.7735 - 1.7745	2.90-2.20cpm	17.25	6.40-5.60pm	13.53
Canada	1.2460 - 1.2510	1.2500 - 1.2510	0.43-0.53cdis	-4.61	1.25-1.45dis	-4.32
Netherlands	1.6570 - 1.6770	1.6690 - 1.6700	0.82-0.85cdis	-6.00	2.28-2.34dis	-5.53
Belgium	30.35 - 30.55	30.55 - 30.65	14.00-16.00cdis	-5.88	41.00-44.00dis	-5.56
Denmark	5.6950 - 5.7250	5.7200 - 5.7250	5.00-7.00oredis	-12.58	13.00-16.00dis	-10.14
Germany	130.90 - 132.10	1.4850 - 1.4860	0.75-0.76pfdis	-6.10	2.07-2.10dis	-5.61
Portugal	128.00 - 131.30	131.80 - 131.90	250-325cdis	-26.17	575-725dis	-19.72

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

FINANCIAL TIMES STOCK INDICES

	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 2	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.62	88.86	88.33	88.04	87.72	88.85	90.11	85.11	127.4	49.18
Fixed Interest	103.73	103.01	102.71	102.31	102.54	103.76	106.46	97.15	106.35	50.53
Ordinary	1865.2	1870.4	1847.3	1814.2	1779.3	1852.5	2149.7	1670.0	2149.7	49.4
Gold Mines	72.6	73.1	71.6	69.4	68.6	73.1	160.6	65.0	734.7	43.5
FT Act All-Share	1201.00	1199.54	1190.67	1178.08	1161.71	1205.07	1326.36	987.46	1326.36	61.92
FT-SE 100	2541.2	2538.8	2517.1	2488.4	2446.3	2549.7	2737.8	2281.0	2737.8	986.9
FT-SE Eurotrack 100	987.08	986.33	971.05	954.29	937.42	993.56	1199.58	937.42	1199.58	900.45
FT-SE Eurotrack 200	1070.52	1060.95	1052.71	1035.93	1010.09	1062.72	1248.79	1010.09	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

	Notes Price £	W'k % change	Amnt £m	Interest due		Last xd	City line
Index – Linked (b)							
Treas. 2pc '94 (102.9)	128⅝	-3	500	Nv16	My16	9.4	5070
2pc '96 (67.9)	187⅞	0.4	1,100	Mr16	Se16	16.8	1313
4⅝pc '98 (135.3)	17⅞	-2.5	500	Ap27	Oc27	–	–
2½pc '01 (78.3)	152⅛	-3	1,150	Mr24	Se24	18.8	1316
2½pc '03 (78.8)	148⅞	-2	800	Nv20	My20	13.4	1317
4⅜pc '04 (135.3)	17⅞	-3	500	Ap21	Oc21	–	–
2pc '06 (69.5)	151⅞	0.3	1,200	Ja19	Jy19	12.8	1314
2½pc '09 (78.8)	138⅞	0.2	1,100	Nv20	My20	13.4	1318
2½pc '11 (74.6)	142⅞	0.3	1,550	Fe23	Au23	17.7	1319
2½pc '13 (89.2)	117⅞	0.2	1,850	Fe16	Au16	10.7	1320
2½pc '16 (81.6)	125⅞	0.2	1,800	Ja26	Jy26	18.8	1321
2½pc '20 (83.0)	120⅞xd	0.2	1,550	Oc16	Ap16	8.9	1322
2½pc '24‡‡ (97.7)	100⅞	0.2	900	Ja17	Jy17	16.8	1323
4⅛pc '30‡‡ (135.1)	101⅛	0.2	500	Jy22	Ja16		–

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1992: 136.7 and for September 1992: 139.4

OTHER FIXED INTEREST

	Notes Price £	W'k % change	Amnt £m	Interest due		Last xd	City line
African Dev 11⅛ 2010	110⅞	0.5	60	Ja4	Jy4	1.12	–
Asian Dev 10¼pc 2009	104⅞	0.3	100	Mr24	Se24	28.3	–
B'ham 11½pc 2012	107⅞	-2	40	My15	Nv15	17.4	1837
Ireland Cap 8½pc '10	84½	-2.1	304	Ap1	Oc1		-1465
9pc Cap 1996	97½	-3.0	725	Ja30	Jy30	–	–
13pc '97-02	111	-2.8	315	Ap1	Oc1	28.8	1428
Hydro Quebec 15pc 2011	135¼	–	40	My31	Nv31	27.10	–
Leeds 13½pc 2006	121¼	–	40	Ap1	Oc1	12.3	3146
Liverpool 3½pc Irred	32½	4.8	5	1JaApJeOc		1.8	3169
LCC 3pc '20 Aft	29¼	0.9	20	1MrJeSeDe		1.8	–
Manchester 11½pc 2007	106¼	-9	7	Ap25	Oc25	30.3	3275
Met. Wtr. 3pc 'B'	60¼	-1.6	25	Mr1	Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	112¼	0.7	60	Ja30	Jy30	8.1	3466
4⅛pc IL 2024	111⅛	0.2	50	Fe23	Ap23	20.7	–
Utd Mex States 16½pc 2008	124⅞	0.6	50	Mr1	Se1	27.8	–

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 9 1992: US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY OCTOBER 8 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (68)	123.11	-18.4	107.94	94.90	95.08	114.02	-13.6	4.28	123.72	108.54	94.59	94.75	114.01	153.68	122.45	150.08
Austria (19)	151.99	-8.7	133.26	117.16	117.38	116.69	-11.1	2.50	153.52	134.68	117.38	117.57	117.02	186.70	139.27	168.98
Belgium (42)	139.61	-3.3	122.40	107.61	107.82	105.35	-5.3	5.85	140.95	123.66	107.76	107.94	105.33	152.27	135.87	129.97
Canada (114)	113.70	-16.6	99.69	87.65	87.81	102.96	-9.8	3.43	114.80	100.71	87.77	87.91	103.64	142.12	113.70	135.59
Denmark (33)	193.54	-27.6	169.69	149.20	149.48	150.64	-29.8	1.90	194.42	170.56	148.65	148.89	150.26	273.94	193.54	249.17
Finland (15)	56.70	-27.3	49.71	43.71	43.79	55.83	-17.5	2.53	56.84	49.86	43.46	43.53	55.51	89.80	52.84	84.27
France (101)	146.54	-2.6	128.48	112.96	113.17	115.74	-5.4	3.90	148.64	130.40	113.64	113.82	116.53	168.75	146.54	139.02
Germany (64)	106.62	-9.1	93.48	82.20	82.34	82.34	-11.0	2.78	108.27	94.98	82.79	82.91	82.91	129.69	106.62	105.71
Hong Kong (53)	232.37	+31.8	203.73	179.13	179.47	230.67	+31.0	3.86	230.13	201.88	175.94	176.24	228.43	259.55	178.36	168.14
Ireland (16)	135.41	-19.3	118.72	104.38	104.58	107.55	-20.5	5.04	136.11	119.41	104.06	104.23	107.29	173.71	135.41	158.48
Italy (77)	54.23	-28.1	47.54	41.80	41.88	52.65	-18.6	3.96	51.96	45.57	39.71	39.78	50.76	80.86	47.47	69.25
Japan (472)	106.23	-21.8	93.13	81.89	82.05	81.89	-23.7	1.04	107.65	94.44	82.30	82.45	82.30	140.95	87.27	141.24
Malaysia (69)	247.34	+15.5	216.86	190.66	191.02	238.91	+6.4	2.74	244.67	214.64	187.05	187.36	236.14	250.65	212.49	193.27
Mexico (18)	1316.98	-5.3	1154.67	1015.22	1017.12	4481.75	-3.1	1.34	1333.34	1169.70	1019.40	1021.09	4532.32	1789.77	1185.84	1254.68
Netherland (25)	159.44	+4.4	139.79	122.91	123.14	121.49	+2.0	4.66	160.43	140.74	122.65	122.88	121.33	169.70	147.88	137.53
New Zealand (14)	39.52	-15.9	34.65	30.47	30.52	38.75	-16.1	5.84	39.75	34.87	30.39	30.44	38.85	48.52	39.52	46.33
Norway (22)	137.02	-23.4	120.13	105.62	105.82	112.23	-22.5	2.16	136.95	120.14	104.70	104.88	111.34	192.95	136.40	191.18
Singapore (38)	184.91	-15.8	162.12	142.54	142.80	136.81	-16.6	2.40	186.16	163.32	142.33	142.56	137.22	229.63	180.71	187.59
South Africa (60)	158.57	-36.3	139.03	122.23	122.46	149.88	-13.4	3.40	157.23	137.93	120.21	120.41	149.90	263.80	144.29	247.04
Spain (48)	112.14	-28.3	98.32	86.45	86.61	90.09	-21.4	6.61	112.86	99.01	86.29	86.43	89.86	161.72	110.05	150.64
Sweden (31)	152.68	-15.7	133.86	117.70	117.92	126.16	-15.1	3.11	150.49	132.02	115.06	115.25	123.31	200.28	149.69	181.67
Switzerland (60)	114.46	+14.0	100.36	88.24	88.41	93.24	+10.6	2.30	115.13	101.00	88.03	88.18	92.93	122.37	95.99	92.50
United Kingdom (228)	170.06	-8.2	149.10	131.08	131.33	149.10	+1.5	4.92	169.80	148.96	129.81	130.03	148.96	200.07	164.88	178.17
USA (522)	164.62	-3.1	144.33	126.90	127.14	164.62	-3.1	3.09	166.64	146.19	127.41	127.62	166.64	173.39	160.92	154.97
Europe (781)	135.93	-6.0	119.18	104.79	104.99	112.37	-4.3	4.19	136.31	119.58	104.21	104.39	112.24	156.88	135.66	137.93
Nordic (101)	142.26	-22.6	124.73	109.67	109.87	111.08	-22.8	2.65	141.24	123.91	107.98	108.16	109.41	188.52	141.24	179.96
Pacific Basin (714)	110.66	-19.3	97.02	85.30	85.46	87.07	-20.7	1.39	111.91	98.18	85.56	85.70	87.40	141.97	93.70	141.42
Euro-Pacific (1495)	120.88	-14.7	105.99	93.18	93.35	97.37	-14.3	2.67	121.78	106.83	93.10	93.26	97.52	145.21	113.80	140.38
North America (636)	161.45	-3.8	141.55	124.47	124.71	160.42	-3.4	3.10	163.42	143.36	124.95	125.17	162.35	170.49	158.70	153.70
Europe Ex. UK (553)	115.41	-7.8	101.18	88.98	89.15	92.22	-6.3	3.66	116.08	101.84	88.77	88.92	92.10	132.98	115.41	115.33
Pacific Ex. Japan (242)	154.13	+2.7	135.13	118.83	119.05	139.39	+3.6	3.80	153.68	134.82	117.51	117.70	138.66	175.31	149.00	143.01
World Ex. US (1687)	121.75	-15.1	106.74	93.86	94.03	99.22	-14.0	2.69	122.63	107.58	93.77	93.92	99.39	146.91	118.18	142.01
World Ex. UK (1981)	131.98	-10.8	115.71	101.74	101.94	116.36	-11.0	2.60	133.38	117.01	101.98	102.16	117.16	150.58	127.21	142.38
World Ex. So. Af. (2149)	135.21	-10.2	118.55	104.24	104.44	119.00	-9.8	2.85	136.50	119.75	104.37	104.54	119.72	153.05	130.04	144.66
World Ex. Japan (1737)	151.93	-5.6	133.20	117.13	117.35	140.91	-3.7	3.51	153.12	134.33	117.08	117.28	141.80	165.40	151.93	148.69
The World Index (2209)	135.28	-10.6	118.61	104.28	104.48	119.31	-9.8	2.85	136.54	119.78	104.40	104.57	120.03	153.70	130.66	145.32

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent change during the week ending 9/10/92: Addition: Procordia A Free (Sweden).

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	9
B & C Merchant Bank	13	*Exeter Bank Limited*	9.5	*Northern Bank Ltd*	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	9	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9.5	● Rea Brothers	9
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	9	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	9	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	9	*Heritable & Gen Inv Bnk.*	9	*Unibank plc*	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	9	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	● Leopold Joseph & Sons	9	Yorkshire Bank	9
Co-operative Bank	9	Lloyds Bank	9		
Coutts & Co	9	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k's change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	16⅞xd	3.8	88c	FeMyAuNv	9.10	1503
Allegheny & W		398p	6.6	30c	–	–	–
Amdahl		474p	-7.4	10c	MyMrJeAu	31.1	–
Amer Cyanamid		32½	–	$1.65	MrJeSeDe	4.3	–
Amer Express		12⅞xd	-1.0	$1.00	FeMyAuNv	29.9	1594
Amer T & T		24⅝xd	0.3	$1.32	FeMyAuNv	28.9	1597
Ameritech		39⅛	-2.5	$3.52	FeMyAuNv	28.3	–
BankAmerica		24⅞xd	-3.0	$1.36	FeJeSeDe	19.8	1744
Bankers NY		37½xd	2.1	$2.80	ApJyOcJa	24.9	1745
Bell Atlantic		27½	-3.1	$2.60	FeMyAuNv	4.7	–
BellSouth		30½	-8	$2.76	FeMyAuNv	8.4	–
Bethlehem Steel		6⅞xd	-1.9	–	MrJeSeDe	6.2	1821
Bowater		1098pxd	-8	$1.20	OcJaApJy	9.3	1884
CPC	h	26⅞xd	-4.6	$1.28	JaApJyOc	25.9	2263
Cadiz Land Inc		128p	–	–	–	–	–
California Engy		743p	2.1	–	–	–	–
Chase Manhattan		12⅞xd	-3.4	$1.20	FeMyAuNv	24.7	2109
Chrysler		13⅞xd	3.9	60c	ApJyOcDe	9.9	2135
Citicorp		8⅝xd	-4.8	–	–	23.10	2141
Colgate-Palm		34⅞xd	3.4	$1.24	FeMyAuNv	22.7	2164
Cont'l Bank		983p	0.4	80c	DeMrJeSe	31.5	–
Dana		21⅞xd	–	$1.60	MrJeSeDe	27.8	2308
Data General		645p	1.3	–	–	–	–
Decora Inds		118p	–	–	–	–	–
Dun & Brad		34	1.1	$2.28	MrJeSeDe	13.2	–
Eaton		45⅛	-3.0	$2.20	FeMyAuNv	2.2	2410
Echlin		11¾xd	4.0	76c	JaApJyOc	30.9	3046
FPL		21⅛xd	1.5	$2.44	MrJeSeDe	25.8	–
Fluor		24⅞xd	0.8	48c	JaApJyOc	24.9	2609
Ford Motor		22⅛xd	1.7	$1.60	MrJeSeDe	28.7	2615
Gen Elect		44⅞xd	0.4	$2.36	JaApJyOc	22.9	2675
General Host		537p	3.3	34c	–	13.12	–
Gillette		33⅝xd	1.5	72c	MrJeSeDe	29.7	2695
Hasbro		18½	-5.7	28c	JaApJyNv	1.8	–
Honeywell		37⅜	0.2	$1.68	MrJeSeDe	28.8	2919
Houston Inds		25½	-2.4	$3.00	MrJeSeDe	18.11	–
IBM		47xd	2.7	$4.84	MrJeSeDe	7.8	2986
Ingersoll-Rand		18⅞	1.2	70c	MrJeSeDe	17.8	2979
Lockheed		27⅛	-4	$2.12	MrJeSeDe	15.2	–
Lowe's	h	1074p	-2.2	28c	JaApJyOc	11.7	–
Merrill Lynch		28⅛xd	-1.7	$1.20	FeMyAuNv	30.4	3351
Morgan (JP)		36⅞xd	2.1	$2.16	JaApJyOc	18.9	3418
Morris (Philip)		46⅞xd	1.3	$1.72	JaApJyOc	10.6	5161
NYNEX		48⅝	0.3	$4.64	FeMyAuNv	27.8	4740
Pall		16	-1.5	36c	FeMyAuNv	24.1	–
Pennzoil		31⅝xd	0.2	$3.00	MrJeSeDe	26.8	3630
Quaker Oats		35⅞xd	–	$1.92	JyOcJaAp	22.9	3738
Rockwell		15⅞xd	5.1	92c	MrJeSeDe	12.8	3847
Rep NY		25⅞xd	5.9	$1.08	JaApJySe	18.9	3814
Sears, Roebuck		25⅛xd	-1.0	$2.00	JaApJyOc	26.8	5191
Sthwestern Bell		39⅛	-2.5	$2.92	MyAuNvFe	4.7	–
Sun Co		14xd	–	$1.80	MrJeSeDe	5.8	4135
Tenneco		20⅞xd	-1.8	$1.60	MrJeSeDe	11.8	–
Texaco		36⅞xd	1.7	$3.20	MrJeSeDe	30.7	4200
Time Warner	h	13⅞	6.2	28c	MrJeSeDe	19.8	4234
Unitab		537p	–	–	–	–	–
URS Intl 1c		0⅛p	–	–	–	–	4364
US West		22⅝	1.7	$2.12	FbMyAuNv	14.4	–
Varity		1193p	-1.8	–	–	11.77	–
Waste Manage		22½xd	3.3	52c	ApJyOcJa	11.9	4439
Whirlpool		2171pxd	1.9	$1.10	MrJeSeDe	4.3	–
Woolworth		18⅞	3.4	$1.12	MrJeSeDe	26.1	4540

CANADIANS

	Notes	Price £	W'k's change	Div gross	Dividends paid	Last xd	City line
Abbott Energy		1¾p	–	–	–	–	–
Amer Barrick		1775p	2.4	18½c	Jun Dec	–	–
Bk Montreal		21⅛	4.3	$2.12	FbMyAuNv	2.8	1029
Bk Nova Scot		1056p	4.5	$1.04	JaApJeOc	30.8	1017
BC Gas		719p	0.1	68c	FeMyAuNv	30.12	–
BCE		20½	3.8	$2.68	ApJyOcJa	12.6	–
Brascan		818p	-4.0	$1.04	JaApJyOc	28.10	–
Breakwater		15p	-5.5	18c	–	–	–
Can Imp Bk		1334p	2.9	$1.32	FeApAuNv	29.5	1037
Can Pacific		731p	-5	32c	JaApJyOc	28.12	–
4pc Deb		37	–	04%	Jan Jul	22.5	–
Dertan		242p	3.9	28c	MrJeSeDe	3.6	–
Echo Bay		348p	-2.2	8.8c	Jun Dec	–	1070
ECO		9½p	-18.3	–	–	–	–
Gulf Can		249pxd	1.5	–	–	4.3	–
Hawker Sd		18	-2.4	$1.08	ApJyOcJa	15.11	–
Hudson's Bay		1254p	-3.2	88c	MrJeSeDe	2.18	–
Imperial Oil		21xd	3.7	$1.49	MrJeSeDe	4.3	–
Inco		13⅛xd	-9	$1.19	JaApJeOc	4.3	–
Intl Corona		338p	1.5	18c	May	5.89	–
N A Tire Recycling		41p	5.1	–	–	–	–
Nova Corp Alberta		384pxd	-5	24c	FeMyAuNv	28.7	4215
Rio Algom		767p	0.4	80c	Jan Dec	18.4	–
Royal Bk Can		1087p	2.1	$1.16	MrJeSeDe	18.7	1160
TVX Gold		144p	-3.4	–	–	–	–
Toronto-Dom		842p	3.1	84c	FeMyAuNv	28.8	1207
Trans Can Pipe		632p	0.4	76c	JaApJyOc	1.12	–

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Greenwich Res.	3½	—	–	–	–	–	2773
Herolo Gold C$	24¾	8.6	020c	–	Dec Jun	8.11	–
††Ivernia West I£	36	-2.7	–	–	–	–	–
††Kells Mnls I£	18	—	–	–	–	–	3741
Kenmare	4	23.1	–	–	–	–	1453
Mellogo Res.	12	-17.2	–	–	–	–	–
††Navan Res I£	27	—	–	–	–	–	1185
North West Expl A$	3	—	–	–	–	–	–
Oryx Gold	51½	—	–		–	–	3688
Plateau	38	—	–	–	–	–	3407
RTZ	585	-2.0	19.5	1.5	Dec Jul	21.9	3888
Viscaya	1¾	—	–	–	–	–	4193
Western & Pac C$	14	-31.7	–	–	–	–	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other

official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Broadgate Inv, Dartmoor Inv & Throg 1000 Smlst Co's (Inv Tst). Deletions: Muscocho Expl (Canadians), ATP Comms. (Bus Servs), Magnetic Mtls (Elects), Bio-Isolates (Food Manuf) and Shelton (M) (Pckg, Paper & Prntg).

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 9

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	11	AAR Corp	0.48	4.3	18	78	11¼	11⅛	11¼	
28	18	A L Labs A	0.18	0.8	80	96	22⅞	22½	22⅝	-⅛
68¾	52⅝	AMP Inc	1.52	2.6	23	604	60	58½	58½	-½
80¼	54⅝	AMR				205144	57¼	54⅞	54⅞	-2¼
2⅞	1⅛	ARX			19	730	1¾	1½	1¾	+¼
53½	33⅞	ASA	2.00	5.8	22	305	34¾	34½	34⅝	+⅛
34¼	28⅛	Abbott Lab	0.60	2.1	20	9704	28⅞	28⅛	28½	
13⅞	11⅛	Abitibi Pr	0.60	4.4	6	10	11¼	d11⅛	11¼	+⅛
11⅝	10⅛	ACM Gvt In	0.96	8.5		88	11¼	11⅛	11¼	+⅛
10⅝	9⅛	ACM GvOpp	0.79	8.0		41	9⅞	9¾	9⅞	+⅛
9¾	8½	ACM Gvt Sp	0.79	8.4		279	9½	9⅜	9⅜	-⅛
11⅞	10⅞	ACM Gvt Se x	0.98	8.6		537	11¼	11⅛	11⅛	-⅛
10⅝	8⅝	ACM Man	1.08	10.4		422	10½	10⅜	10⅜	
12⅞	9⅞	ACM Mgd	0.99	9.8		67	10¼	10⅛	10⅛	
11¼	4¾	Acme Cleve	0.40	6.0	12	14	6¾	6⅝	6⅝	
6¼	3¼	Acme Elect			29	16	4	3⅞	3⅞	-⅛
33¼	14⅞	Acuson			10	1230	15¾	15⅜	15⅝	
20	18⅛	Adams Expr	0.48	2.5	0	24	19¼	19⅛	19¼	
45⅛	28½	Ad Micro	3.00	8.1		228	37⅝	36¾	37	-½
21½	7½	Ad Micro P	3.00	25.3		[illegible]	12⅜	11⅞	11⅞	-½
9⅛	4⅞	Advest Grp	0.16	2.9	68	6	5½	5½	5½	-⅛
41⅞	33	Aegon ADR	1.68	4.1	7	51	40¾	40½	40½	-⅛
47	36	Aetna Lf	2.76	6.6	10	984	42	41½	41⅝	-⅜
12¾	8⅜	Ahl A	0.24	2.2	12	437	10¾	10½	10¾	+¼
34	24	Aflac	0.44	1.5	14	573	30⅛	29⅞	30	-⅛
19⅞	13¼	Ahmanson	0.88	6.8		51508	13⅜	d13	13	-⅜
22½	4¼	Aileen Inc			7	219	4⅜	d4¼	4⅜	+⅛
49½	36½	Air Pr Chm	0.86	2.0	18	729	43⅜	42⅜	42½	-⅞
29¾	12½	Airborne Frt	0.30	1.9	31	141	16¼	16	16	-¼
34¼	22⅝	Airgas Inc			27	247	32⅝	32	32¼	+⅛
12⅜	8⅛	Airlease x	1.68	16.0	8	80	10⅝	10⅜	10½	+⅛
104	99½	AlaPwd 16	8.16	8.0		3	101¾	101½	101¾	+¼

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close	Chng
13¾	10	Zero Corp	0.40	3.5	18	122	11½	11⅛	11½	
38	27¼	Zurn Ind x	0.88	2.9	33	263	30⅛	29⅞	30⅛	+¼
14⅛	12	Zweig Fund	1.12	9.0		143	12⅝	12⅜	12½	−⅛
11	9½	Zweig Tot	0.88	8.8		338	10⅛	10	10	−⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 9

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pet H&P	1.14	13	82	16⅜	16⅛	16⅜	−⅛
Phil LD	0.28	16	1873	38⅞	38¼	38¼	+¼
Pitway A	1.10	16	3	29⅝	29⅝	29⅝	−⅛
Ply Gem	0.12	20	3	9⅝	9½	9⅝	
PMC x	0.68	14	48	10⅞	10⅝	10⅞	+¼
PresidioA	0.10	1	38	1¼	d1¼	1¼	−⅛

NASDAQ NATIONAL MARKET

4 pm close October 9

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		19	2426	17¼	16½	17¼	+½
Xoma Corp		5	2032	9⅞	9¼	9¼	
Yellow Fr	0.94	19	1504	24	22¼	22¼	−1¼
York Rsch		7	856	7	6⅞	7	
ZionsUtah	1.44	11	110	58½	57¼	58	−½

MONDAY INTERVIEW

Enduring symbol of stability

Carlo Azeglio Ciampi, governor of the Bank of Italy, talks to **Robert Graham**

In a country where intrusive journalism thrives, one institution and one figure have remained above the fray – the Bank of Italy and its governor Carlo Azeglio Ciampi.

The mystique, close to reverence, surrounding the bank and its 71-year-old governor endures in spite of Italy's bruising experience on the currency markets in recent weeks. The lira was forced to devalue by 7 per cent on September 13 and four days later to begin floating outside the exchange rate mechanism (ERM).

Mr Ciampi was the leading advocate of the "strong lira" policy, which placed the currency within the narrow fluctuation band of the ERM. But this policy was based on the premise that Italy had to put its public finances in order.

The governor has emerged from the crisis with his prestige intact because he has been powerless to control fiscal policy, as he has never ceased to remind the politicians during his 13 years as governor.

His speech at the bank's annual meeting in May now looks prophetic. Urgent measures, he said, had to be taken within "a matter of weeks" to keep the lira stable within the ERM.

With the studied caution of an intensely private person Mr Ciampi says: "The crisis that emerged last month could have been avoided if the member states had grasped the opportunity provided by the German-Italian proposal of September 12 for a general realignment – within the bounds set by an appreciation of the D-Mark and equal depreciation of the lira, coupled with a decrease in interest rates in Germany.

"Unfortunately the realignment was limited to the lira/D-Mark exchange rate, so that the accompanying reduction in German rates was only small. This left plenty of scope for the markets to mount further speculative attacks against other currencies."

This is not simply wisdom with hindsight. In private Mr Ciampi scarcely conceals a great sense of disappointment, even bitterness, that an opportunity was missed and for which both Italy and other members such as Britain paid dearly.

On the weekend of September 12-13 Italy and Germany were the sole countries to discuss realignments in face-to-face meetings, he points out. Discussions with other members were done over the telephone, which, Mr Ciampi says, was not the best way of breaking down the resistance of other European Community members to a more general realignment.

The Italians also pressed in vain for a convening of the EC's monetary committee during that weekend, although by the following Wednesday the committee was convened at even shorter notice to endorse the suspension of sterling and the lira from the ERM.

Mr Ciampi is convinced that the Bundesbank would have reduced interests rates by more than a quarter of a percentage point on September 14 if the realignment had not been limited to Italy's devaluation. Indeed, he knows German culture well, having studied German literature at university at Pisa and having established a close relationship with Karl Otto Pöhl, the former Bundesbank president.

The governor does not advocate significant changes in the ERM to resolve the problems that have emerged recently. "The crisis is not the result of shortcomings in the system, but rather of the unwillingness of countries to implement – as the rules actually require – closer and more effective economic and monetary co-ordination." In other words it is the application of the rules which has been faulty.

Recent events have not undermined the Maastricht treaty, he argues. Indeed, they have only cast doubt on its "gradualist" timetable towards European union. "The crisis has clearly revealed the difficulty of maintaining orderly conditions for five or seven years during the advance towards the third stage of monetary union. The process needs to be accelerated [towards an institutional arrangement with a single monetary policy]."

Mr Ciampi is an ardent supporter of closer European integration and believes Italy has to be fully part of this process; hence Italy's commitment to re-enter the ERM as soon as possible. To achieve this he turns to the politicians, saying budget proposals to tackle the huge public sector deficit must be approved and "resolutely implemented".

But here he finds himself and the bank in a curious position. The Bank of Italy, through its carefully guarded independent status, can take decisions in monetary policy and foreign exchange matters. The government, however, is hampered by a cumbersome bureaucracy and a fragmented political process which creates long delays before fiscal policies are implemented. The government's difficulties in enacting a 1993 budget, which may take until the end of November to approve, are creating considerable uncertainty in the markets.

Mr Ciampi is one of the main proponents of a European Community stand-by loan to sustain international confidence in the Italian economy and help repay loans extended by the Bundesbank to support the lira. The proposal is now under discussion.

Despite the depletion of reserves, he insists that Italy is in a position to honour all its obligations contracted with the Bundesbank and the Belgian central bank during recent weeks. And he is adamant that Italy's gold reserves will not be touched.

In making such assurances, there can be no doubt that Mr Ciampi has past experience to draw on, having seen 11 devaluations of the lira during his tenure as governor. "The moments of greatest tension in the markets have passed," he says.

He started out life intending to be a naval officer, a natural profession for someone born in the port of Livorno. Though he was invalided out of the service because of problems with his eyes, he smatters his conversation with nautical metaphors and sounds very much like a naval officer in describing his philosophy:

"It is necessary to hold steady, avoid over-hasty decisions and provide the liquidity [to the financial system] that is required while pursuing a rigorous monetary policy." But he is well aware that this will not be enough to satisfy the financial markets and reassure investors.

"It is crucial that uncertainty and doubt be eliminated; investors' fears that constraints will be imposed on government securities are out of place, as is concern that the freedom of capital movement will be restricted. The public debt will continue to be managed according to the rules of the free market."

Mr Ciampi will not be drawn on what sort of parity the lira might re-enter the ERM or the precise timing of such a move. But he says: "The depreciation of the lira that has occurred in the absence of ERM obligations is far in excess of any reasonable estimate of the need to improve the price competitiveness of Italian industry."

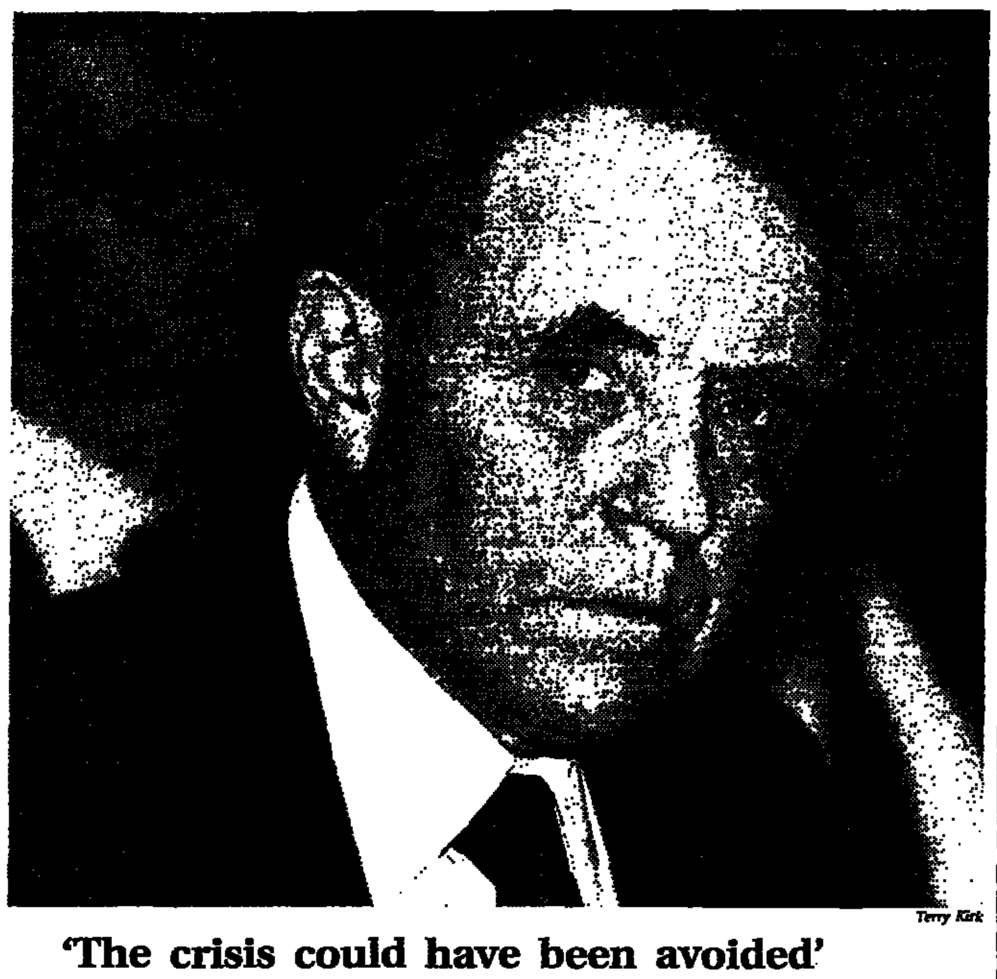
By the end of last week the markets bore out this view of the overshoot in the floating rate, with the lira recovering to L880 against the D-Mark, compared with L1,000 in earlier trading.

Devaluations, Mr Ciampi says, rarely solve problems; rather they underline the previous failure to solve them and make their resolution even more urgent. This is a message he hopes will be understood by the politicians.

His relations with the government of Mr Giuliano Amato are good, and there is agreement on where the dividing line lies between political decision-making and the role of the bank. This has been important in co-ordinating positions over the past month since ultimately the decision for Italy to realign was a political one. So too will be the decision on ERM re-entry.

Such co-ordination was not always evident, notably with the previous government of Mr Giulio Andreotti – the governor and the former prime minister did not meet formally to discuss bank business for two years.

Mr Ciampi is now beyond normal retiring age, and indeed has waived his salary and merely draws his pension. He claims he is ready to go whenever necessary, handing over a ship in perfect working order. But he has become such a symbol of institutional solidity that it is hard to see when such an opportunity will arise. It would be surprising if he was not in office when the Bank of Italy celebrates its centenary next year.



Terry Kirk

'The crisis could have been avoided'

PERSONAL FILE

1920 Born, Livorno. Educated University of Pisa.
1941-44 Italian Army, awarded military cross.
1946 Joined Bank of Italy.
1970 Head of research department.
1973 Secretary-general.
1978 Director-general.
1979 Governor, Bank of Italy. Chairman, Ufficio Italiano dei Cambi.
1987 President, Committee of EC Governors.

Clinton and the new Democrats

MICHAEL PROWSE on America

With Governor Bill Clinton still well ahead in opinion polls, the US seems to be heading for a new era of government activism. Mr Clinton has repeatedly asserted his belief in the public sector as a positive force in people's lives. He is also hyper-active by temperament: "unless he achieves at least 20 things each day as president," says one adviser, "he will not go to bed happy." The prospect of an energetic "do-gooder" in the Oval Office will alarm those who believe that governments mostly do harm; it suggests a regression to the 1960s and the "Great Society" social programmes championed by Lyndon Johnson.

Such fears are probably exaggerated. Mr Clinton would be an activist president. But his conception of government's role seems to be enlightened. Following the heavy defeat of Mr Walter Mondale, the old-style Democrat who challenged incumbent President Ronald Reagan in 1984, a small band of frustrated Democrats formed the Democratic Leadership Council to shift the Democratic party into the political mainstream and develop a "post-liberal" governing agenda.

Mr Clinton, then an obscure state governor, supported the DLC during its difficult early days as a southern/western insurgency movement on the conservative fringes of the party. From 1990 up to his bid for the presidency, he chaired the council.

To find out more about the DLC's philosophy, I went to see Mr Will Marshall, a former journalist who helped start the movement and now runs the Progressive Policy Institute, the council's think-tank. He explained that the institute was set up following the defeat of Mr Michael Dukakis, the Democratic presidential candidate in 1988 and was modelled on conservative think-tanks, such as the Heritage Foundation, which successfully laid the ground for Ronald Reagan's victory in 1980.

In what ways has the DLC and the institute tried to change traditional Democratic thinking? Mr Marshall rattles off examples. They have stressed the importance of pro-market policies to stimulate growth, arguing that a preoccupation with redistribution makes little sense when the overall pie is no longer growing much. Equally important, they have advocated far-reaching reform of the public sector, advocating "entrepreneurial government" in place of old-style bureaucracies. Mr David Osborne, an institute fellow, was co-author of Reinventing Government, an influential book that advocates a Thatcherite cocktail of deregulation, privatisation and enhanced customer choice.

These "new democrats" have been innovative in other spheres. The DLC has been at the centre of a movement to redefine the relationship between government and citizens by stressing that rights entail reciprocal responsibilities. The group believes, for example, that welfare payments are justified only if recipients accept training or jobs. On race, Mr Marshall, a southerner, argues for equal opportunity rather than equal outcomes and opposes old-style affirmative action as discriminatory. Finally, on foreign policy, the DLC has sought to reverse the public perception of the Democratic party as soft on defence, arguing that the US can promote principles it believes in, such as democracy, only from a position of strength.

In Britain, wet Tories and the social democratic wing of the Labour party would both be comfortable with most of the DLC's policy positions. This would not surprise Mr Marshall who regards himself as pursuing a "third way", which is neither right nor left. He claims an affinity of views with many on the progressive wing of the Republican party, including, for example, Mr Lamar Alexander, the education secretary, who is promoting "school choice", and Mr Jack Kemp, the housing secretary and proponent of urban "empowerment" and enterprise zones. He jokes, however, that it will be a Democratic administration that actually implements many of their pet schemes.

It is hard to doubt either Mr Marshall's sincerity or the merits of many of his progressive policies. The depth of Mr Clinton's personal commitment to the "post-liberal" agenda, however, remains untested. If he is elected, traditional Democratic constituencies, such as organised labour, will lose no time in pressing their sectional interests. An inexperienced president could easily lose his way.

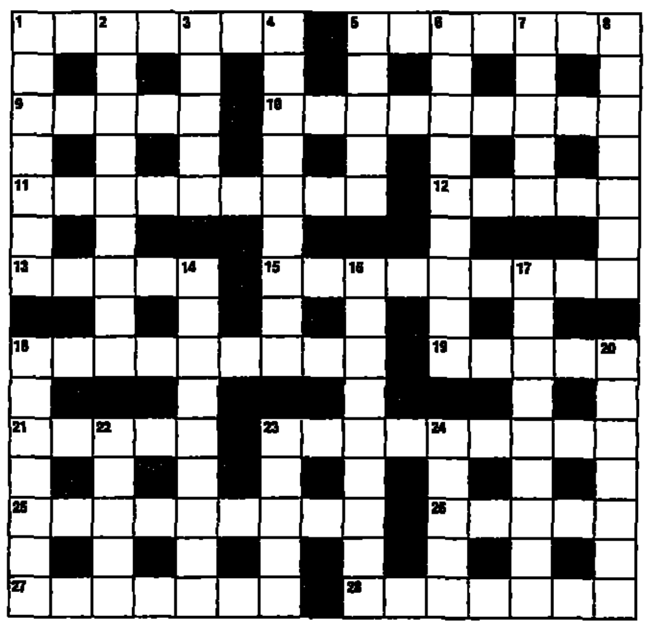
Worse still, Mr Clinton is a skilled enough politician to have used the DLC as a political springboard without really believing in its policies. The DLC has been useful to him in many practical ways, from locating fund raisers to providing crucial cells of support in many states.

Mr Marshall's gut feeling, however, is that Mr Clinton is fully committed to the reformist agenda. In his acceptance speech at the New York convention, Mr Clinton could have pandered to party activists, but instead delivered a ringing restatement of core DLC beliefs. At subsequent testing moments, he has remained solid: for example, he recently endorsed the free trade pact with Mexico despite union misgivings. Optimism about the US is currently unfashionable; but I cannot help thinking that the nation may have found a man and a set of policies capable of addressing its many pressing social and economic problems. The days of domestic drift could be numbered.

JOTTER PAD

CROSSWORD

No.7,974 Set by QUARK



ACROSS

1 Speech recorder (7)
5 With vigour, cook endlessly making a roll (7)
9 Uninhibited partygoer in right state (5)
10 Control the government put back (9)
11 Did gardening and possibly hated being kept in? Impetuous (9)
12 Fast, tho' finally slow (5)
13 Drink taken at breakfast? (5)
15 Complete reversal left a cove bewildered (5,4)
18 Disallows regulations for deliveries? (9)
19 Inferred army about to object (5)
21 Enjoyment with old money resources (5)
23 On one's toes or on one's head perhaps? (4-5)
25 Get Len gin after accident. Careless! (9)
26 A dance is in the offing I guess (5)
27 Serious composer in English – a good man (7)
28 Cover chimney up north? One's outside the law (7)

DOWN

1 Worn on site (23 won't suffice) (4,3)
2 For a probationary period one's in gallery at beginning of month (9)
3 Period when engineers come in to fit (5)
4 Reckless person set about live adder (9)
5 A degree – one way to become an inventor? (5)
6 Broke in to find the answer books (9)
7 Measure to restrain (5)
8 Look over the blighted rose: it's a sight (7)
14 Goes on part of roof for automatic entrance (9)
16 Final bit of defence towards end of course? (4,5)
17 Superior spirit (9)
18 Lapse of composer (not Bach) at church (7)
20 I go between the rafters – ie me, bat flying (3,4)
22 Man switched left to right in river (5)
23 Sounds like the break to snatch (5)
24 Bad behaviour in student rag growing? (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 24.

Leaning on the Bar

JUSTINIAN

The legal profession is finally realising how remiss it has been in tackling discrimination against women practitioners – and not before time. If the profession has been even more neglectful about its attitude to ethnic minorities, its indifference to female contribution to the law is infinitely of longer standing.

The Law Society's publication last week of a consultative document on new anti-discriminatory measures is designed to alert the profession to the importance which it must attach to the question of discrimination.

Significantly, the governing body of solicitors wishes to elevate its current guidelines on non-discriminatory policies and practices to the status of rules enforceable through the profession's disciplinary code. The existing principle of non-discrimination should, it states, be extended to impose a policy on solicitors which will be directed specifically at eliminating discrimination. This would focus on current practices on recruitment and career advancement.

The nature of discrimination against women differs significantly from discrimination against members of the ethnic minorities. Whereas blacks and Asians appear to suffer very serious discrimination at the point of recruitment as trainee solicitors, women encounter disadvantages later in their careers; this is most common following temporary withdrawal from practice because of pregnancy.

More worrying still is the comparative failure of women solicitors to become partners. Some of the large firms of solicitors still do not possess a female partner. There is considerable statistical evidence suggesting that while women do achieve partnerships, they only do so at a significantly slower rate than their male counterparts. Other evidence, not all anecdotal, reveals that women interviewed for partnerships are often asked improper questions on their marital prospects and whether they intend to start a family.

Similar experiences from women who seek to practice at the Bar have long been a source of justified criticism of the profession.

Barrister Helena Kennedy's recently published book entitled Eve was Framed is testimony to what she proclaims is the treatment of women as "a paradigm of the faults and blindnesses of the legal system".

In an earlier work, published in 1978, Ms Kennedy wrote, that "nothing of any significance has been done to counter discrimination against women, and as a result women are playing little or no part in the creation and interpretation of laws affecting men and women alike".

Discrimination against women over the years has been a tent peg to secure the status quo ante. It is as powerful as a legal precedent in inhibiting change. The present movement to rid the profession of its discriminatory habits is healthy enough but the legacy of the past leaves a mark on the contemporary legal scene.

The first woman barrister was appointed in 1922; the first woman solicitor also qualified in the same year. It took another 40 years before a woman became a county court judge; three years later the first woman made it to the High Court bench.

But that was hardly the herald of a new era. Only five more women have since been appointed as High Court judges. No woman has yet become a law lord and out of a complement of 27 judges on the Court of Appeal there is only one woman. Of some 90 High Court judges only three are women.

Judges are appointed mainly from among the leading barristers. Out of 628 practising Queen's Counsel only 29 (4 per cent) are female. In spite of this comparative paucity of women barristers from whom to select today's judiciary there is a case for positive discrimination by the Lord Chancellor.

Equally pressing for the profession is its treatment of people from the ethnic minorities. This week's consultative document also laid down proposals for new measures to deal with racial discrimination.

The Law Society took its first steps to tackle racial discrimination in 1988 when it introduced a code of practice to address increasing evidence suggesting that black students were finding it more difficult than their white counterparts to secure articles (training with a firm of solicitors).

At the same time, black barristers complained that white solicitors were declining to brief them. Black barristers' reliance on work from black and Asian solicitors was in danger of establishing a form of professional apartheid. Indeed this later took solid shape with the establishment of a Society of Black Lawyers.

Since then the number of complaints has not diminished. Last year the Law Society received 85 allegations of racial discrimination from students. The Society of Black Lawyers' recently published report based on a survey of its members supports these findings. An industrial tribunal recently found a firm of solicitors guilty of discrimination on racial grounds against an applicant who wanted to become a trainee solicitor. The tribunal criticised the firm's selection procedures for trainees; the tribunal indicated how a firm could unintentionally infringe race relations laws.

The Law Society now proposes to reinforce the code by developing equal opportunities policies. The proposals realistically recognise that racial discrimination cannot be instantly eliminated. But if appropriately implemented the new measures should reassure ethnic minorities that they – like their female colleagues – are not being neglected in the ultimate search for proper representation in the provision of legal services.

Louis Blom-Cooper QC